CUSHMAN & WAKEFIELD | CORE

DUBAI MARKET UPDATE

Q1 2022

DUBAI MARKET
SNAPSHOT Q1 2022

The recently announced game changing overhaul of the visa system and expanded categories for golden visas is expected to benefit a much wider range of residents and investors. While attracting tourists, global talent and inward investment, these reforms are expected to be an unprecedented catalyst for Dubai's real estate market, a sector which is already witnessing strong demand.

Furthermore, the availability of all real estate data by the Dubai Land Department in the public domain is a major step towards market transparency and shall positively impact all stakeholders.

While there are a range of demand drivers driving both residential and office market demand, inflation, supply chain disruptions, rising interest rates and pricing out of mid-income buyers and tenants are expected to be growing downside risks in the near-term.

That said, with demand outstripping supply in key segments, we expect an upward trajectory in enquiries, transaction volumes, prices and occupancy levels to continue over the remainder of 2022, albeit with an interim marginal slow down during the summer months.

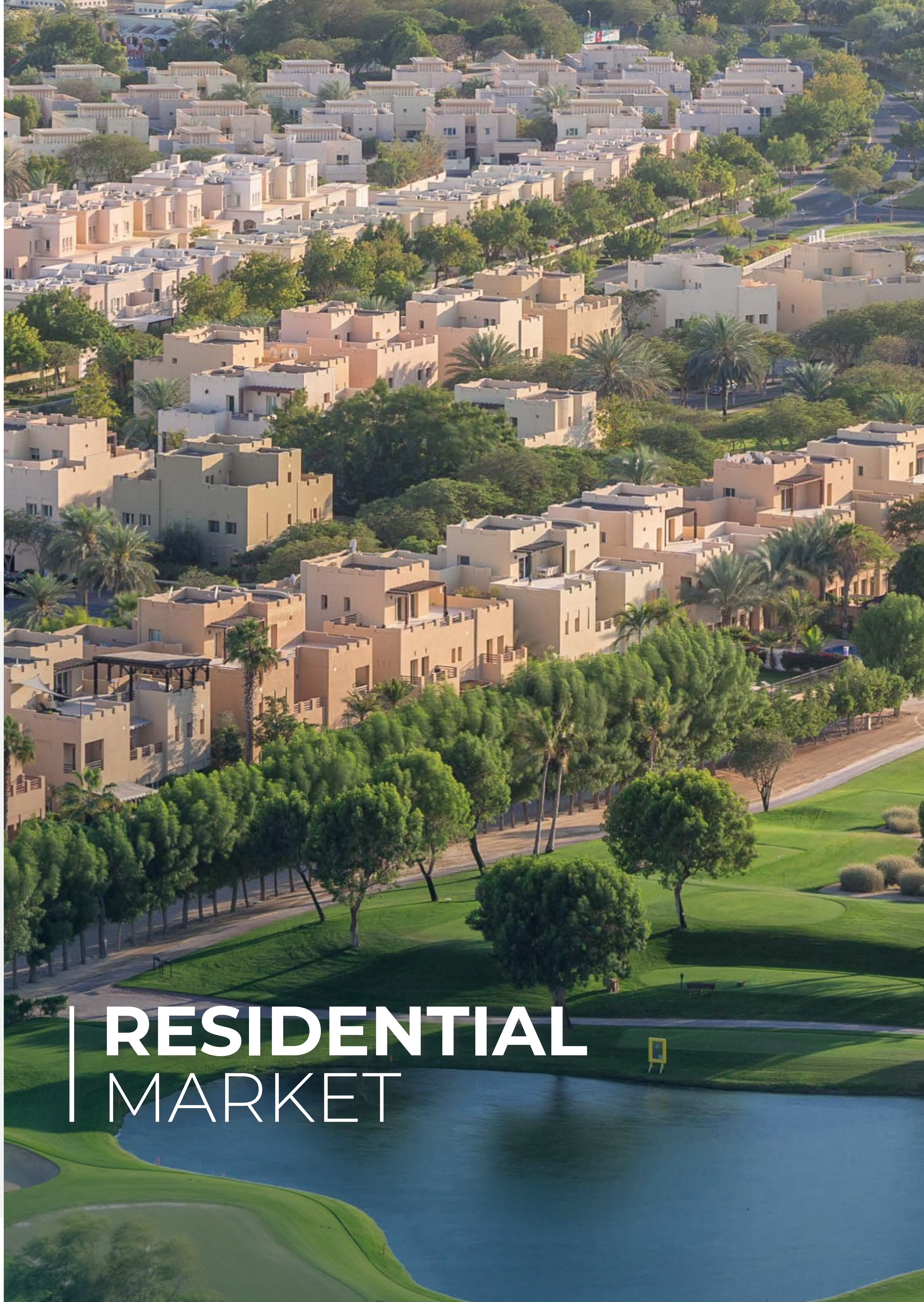
DEMAND DRIVERS

RESIDENTIAL MARKET

- Continued economic, social and visa reforms aimed at attracting FDI and residents
- Low-interest rates – now slowly starting to edge up with buyers wanting to invest to hedge against inflation and rising interest rates
- Relatively low levels of ultra-prime supply and rising HNI demand
- Competitive entry prices for international buyers compared to other global cities
- The Russia/Ukraine conflict drawing liquidity/ investments into Dubai from the affected regions
- Rising oil prices to benefit the regional economy
- Expo after-effects - The event showcased Dubai and its unique positioning to millions of international visitors, resulting in a sharp rise in real estate investments, particularly for off-plan developments from international investors

OFFICE MARKET

- A surge in enquiries from EU/UK and other international markets wanting to expand in Dubai due to its favourable and open business environment. In addition, Dubai is also seeing an influx of many international firms relocating their staff and operations from Russia and Ukraine
- Most incumbent/existing firms are bringing their employees back to physical offices, driving local and regional occupier demand
- Demand for fitted and flexible space is at an all-time high
- 100% ownership giving firms more flexibility and confidence to operate
- Although office rents are increasing, overall lease terms continue to be lucrative and flexible compared to most global markets, with many firms looking to establish headquarters here in Dubai
- Announced virtual asset laws and regulations driving fintech and crypto demand



RESIDENTIAL MARKET

RESIDENTIAL **MARKET**

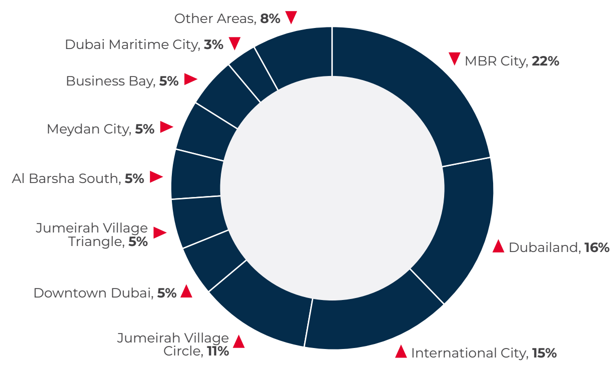
SUPPLY

Dubai saw nearly 6,700 units being delivered in Q1 of 2022, while a further 31,000 units are expected over the remainder of the year, keeping the total forecast for 2022 at 38,000 units. Realisation rates may be slightly lower subject to supply chain issues, however, intent wise many developers are accelerating their completion timelines and aiming to handover this year in order to take advantage of favourable market conditions.

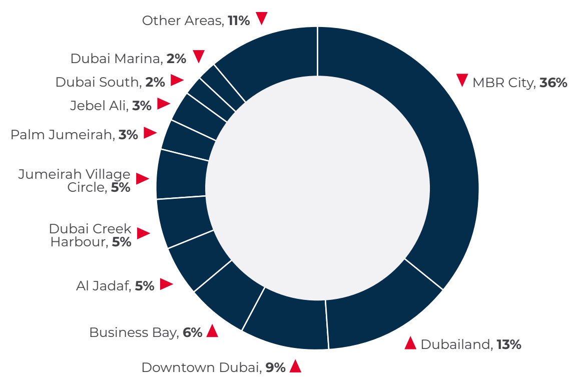
The highest number of handovers were witnessed in Mohammed Bin Rashid City, Dubailand, International City, Jumeirah Village Circle and Downtown Dubai. Major deliveries included, Lawnz Residence in International City, Victoria Cluster and Centaury in Akoya Oxygen, Dubailand, O2 Tower in JVC, Sobha Creek Vistas, and multiple deliveries in MBR city.

Over the remainder of the year, we foresee MBR City to lead supply delivery, accounting for nearly 36% of all expected handovers, followed by Dubailand, Downtown Dubai and Business Bay.

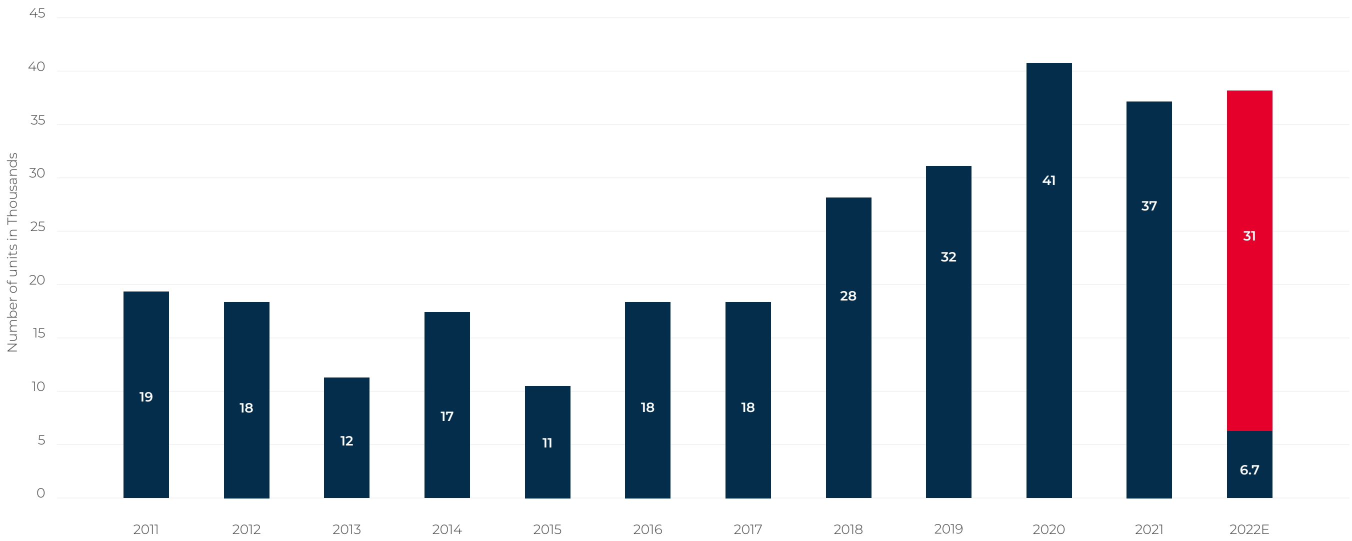
Supply Delivered by Area - Q1 2022



Supply Forecast by Area - Q2 to Q4 2022



Residential Deliveries in Dubai 2011 - 2022



Source: Cushman & Wakefield Core Research

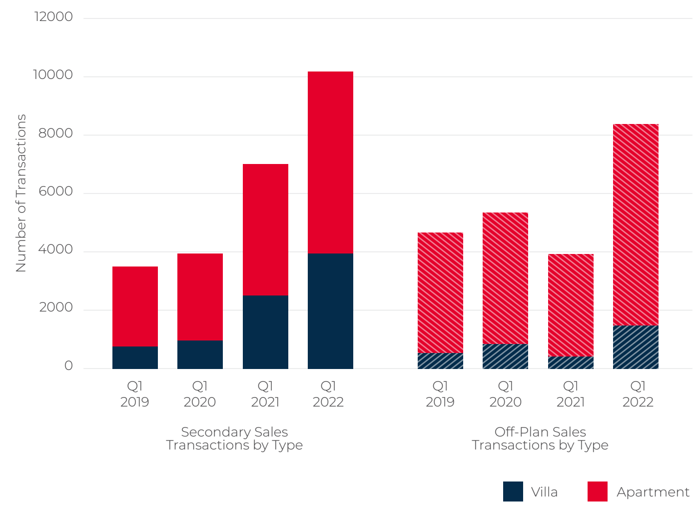
RESIDENTIAL **TRANSACTIONS**

Residential sales transaction volumes do not show any signs of slowing down, with March 2022 secondary sales volumes being the highest ever recorded in Dubai's history.

- In Q1 2022, Dubai recorded the highest ever number of secondary residential sales transactions and the highest total value of transactions (in AED) setting an all-new market record.
- Overall secondary market transactions in Q1 2022 saw a 56% increase compared to Q1 2021 while the off-plan market saw a 120% rise.
- In the apartment sales market, we witnessed a 44% rise in Q1 2022 in secondary sales transactions and 111% higher in off-plan sales transactions compared to Q1 2021.
- In villa sales market, we witnessed a 50% rise in Q1 2022 in secondary sales transactions and 152% higher in off-plan sales transactions compared to Q1 2021.

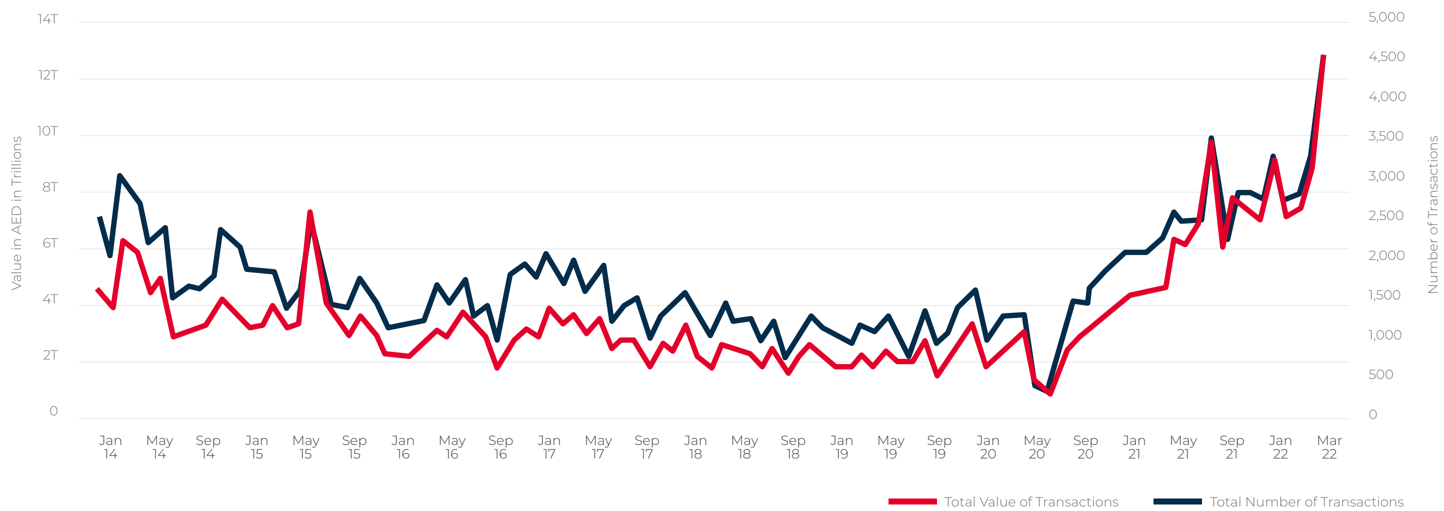
While secondary market transactions continue to be higher than the off-plan market, the above numbers clearly indicate that the off-plan market is making a strong rebound after witnessing a sluggish recovery over the last two years. With the recent announcement reforms on Golden visas linked to property investment, we expect further boost to both the secondary and off-plan market.

Residential Sales Transactions Trends



Source: Dubai Land Department, Cushman & Wakefield Core Research

Dubai Secondary Market Transactions Trends



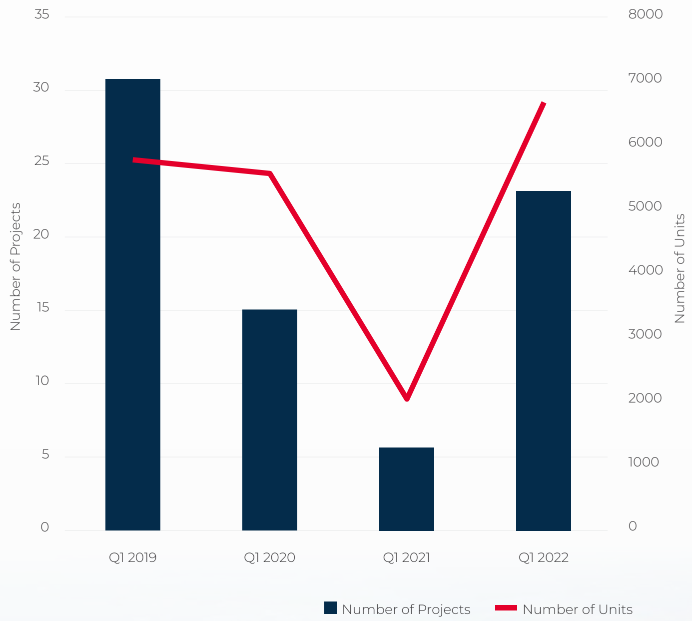
Source: Cushman & Wakefield Core Research

PROJECT **LAUNCHES**

After witnessing a significant slowdown in new project launches over the last few years due to COVID-19 and dampened market conditions, recent quarters have seen a sharp up-tick in new project announcements with Q1 2022 launch volumes surpassing pre-pandemic levels, reflective of the overall positive market sentiment. Several noted developers' projects are witnessing strong absorption, boosting off-plan sales and demonstrating Dubai's renewed investment momentum and consumer confidence. Prominent announcements this year have been Beach Mansions in Dubai Harbour by Emaar, La Violeta by Dubai Properties in Villanova and Peninsula by Select Group in Business Bay.

Furthermore, Dubai continues to lead global rankings with the highest market penetration of branded residences with internationally acclaimed hospitality and lifestyle brands establishing their market presence at a record pace. Recent announcements include Six Senses Residences on Palm Jumeirah, St. Regis the Residences, Downtown Dubai and the Ritz Carlton Residences Creekside.

Project Launches



Source: Cushman & Wakefield Core Research

Note: Render image from Developers Website

WHAT IS DRIVING THE DEMAND FOR PRIME RESIDENTIAL?

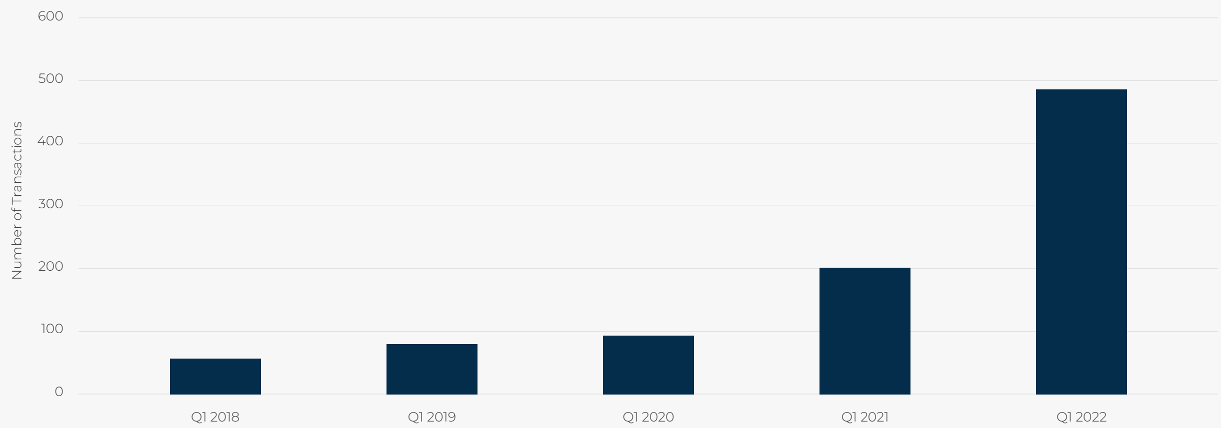
While the prime and ultra-prime residential market has been relatively resilient compared to the affordable and mid-market during 2014-2020, we have observed a marked increase in demand for prime residential properties since Q4 2020. In fact, 2021 saw the highest secondary market transactions above AED 10 million in the last decade, with Palm Jumeirah accounting for nearly 35% of these transactions. This trend of robust demand for prime residential continues in Q1 2022, with prime transaction volumes above AED 10 million being 139% higher than Q1 2021.

The demand for the luxury market is stemming from both end-users and overseas investors looking to relocate or buy a secondary home in Dubai. While prime residential prices are well near 2014 prices, many buyers are largely agnostic to historical pricing and find Dubai prime waterfront property to be competitively priced compared to most global cities.

Further key draws for Dubai are its demonstrated capability in managing the pandemic, successfully hosting Expo 2020, excellent connectivity, 100 percent foreign ownership of companies and a range of visa reforms. With very high transaction volumes compared to previous years and most ready stock in this segment taken up by HNIs, the lack of inventory in the secondary market has pushed more interest towards the prime off-plan market. Recent launches in the high-end market are reflecting this trend and have seen strong absorption.

However, it is important to note that while the prime market is witnessing a record number of transactions, it still forms a small fraction of the overall Dubai market (a similar scenario seen in most global housing markets). To give perspective, transactions above AED 10 million formed only 3.3% of all the secondary market transactions and 1.4% of all the off-plan market transactions over Q1 2022.

Residential Transactions Above AED 10 Million



Source: Cushman & Wakefield Core Research

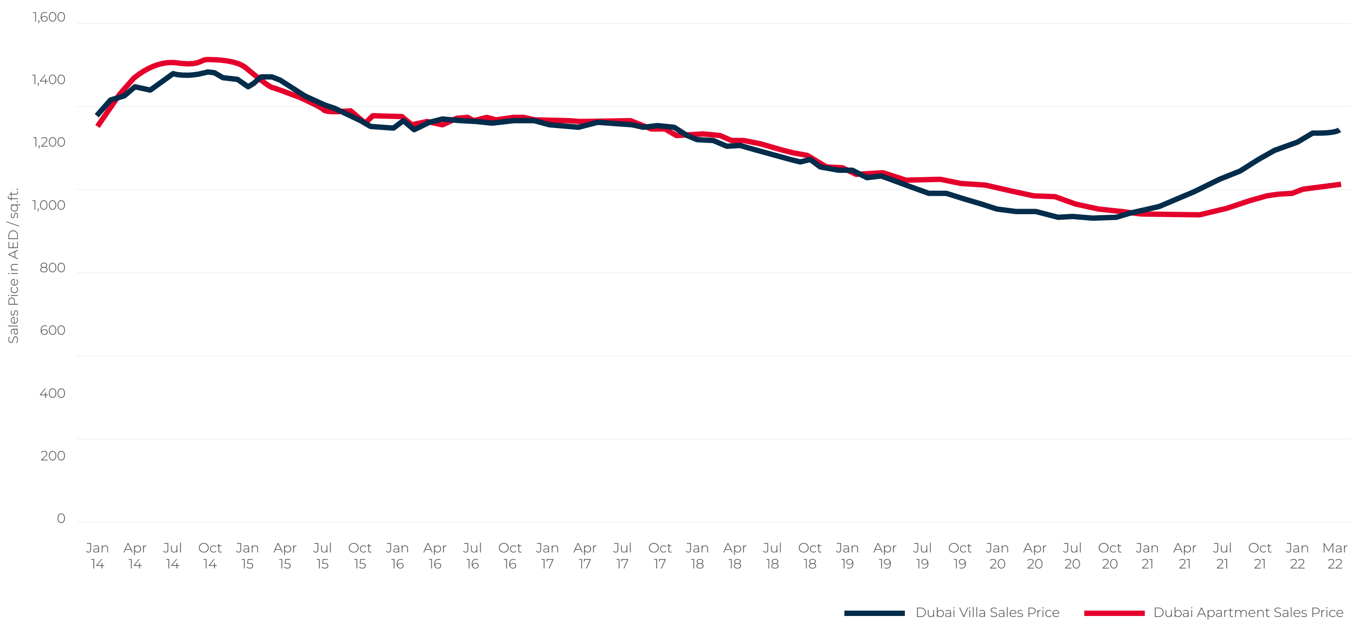
RESIDENTIAL
SALES MARKET

Wide-spread increases in year-on-year sales prices were observed across all residential districts we track. Apartment districts witnessing sharp rises in sales prices are JLT (22%), Dubai Marina (19%) and Downtown Dubai (19%), however, all apartment districts are below their peak 2014 values. Apartments in Dubai Sports City (0%), Discovery Gardens (4%) and Dubailand (4%) have been the slowest to recover.

In the villa market, the sharpest rise unsurprisingly was seen in Palm Jumeirah (34%) followed by other central villa districts of The Lakes (31%), Jumeirah Park (25%) and The Springs and The Meadows (23%).

Sales prices across districts are well above pre-pandemic levels with average citywide villa sales price up by 21% and apartments by 9% year-on-year. However, these prices are still below their 2014 peak values, with villas lagging by -12% and apartments by -27% compared to 2014 peak values.

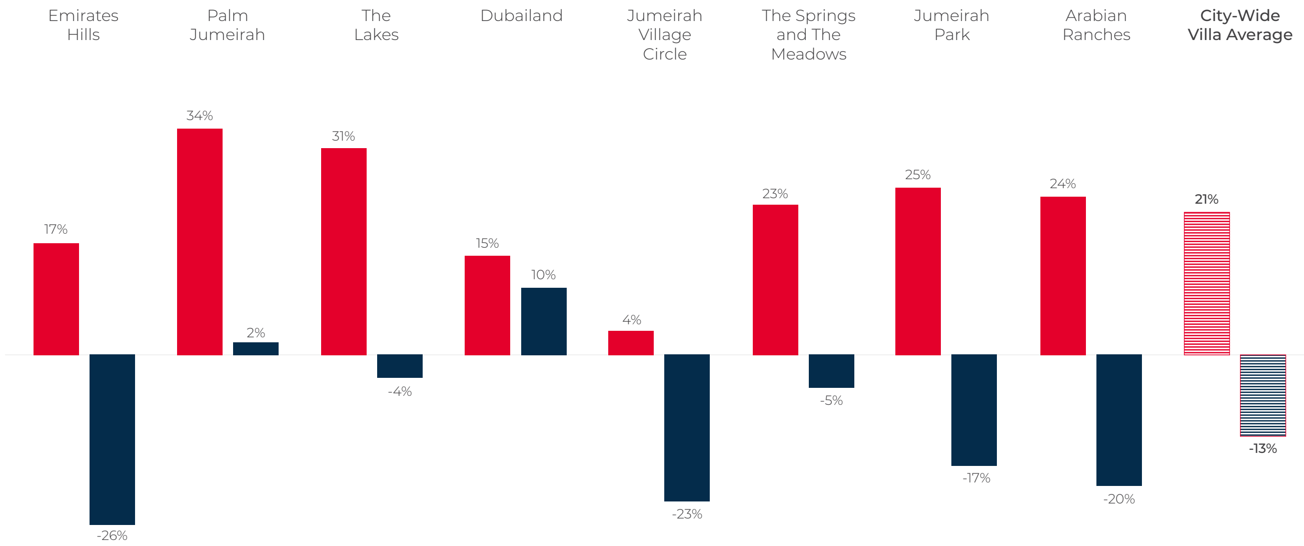
Dubai City-Wide Sales Price Trends



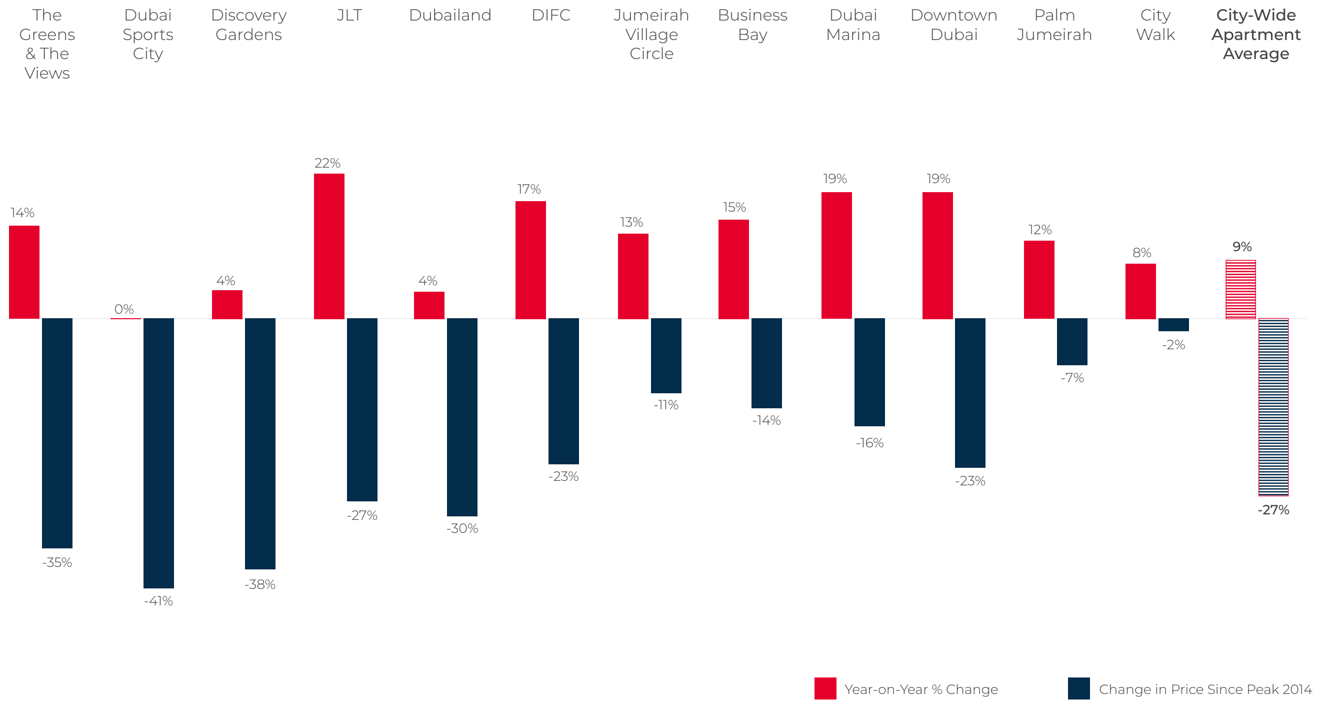
Source: REIDIN, Cushman & Wakefield Core Research

RESIDENTIAL
SALES MARKET

Villa Sales Prices Q1 2021 vs. Q1 2022



Apartment Sales Prices Q1 2021 vs. Q1 2022



Source: Cushman & Wakefield Core Research

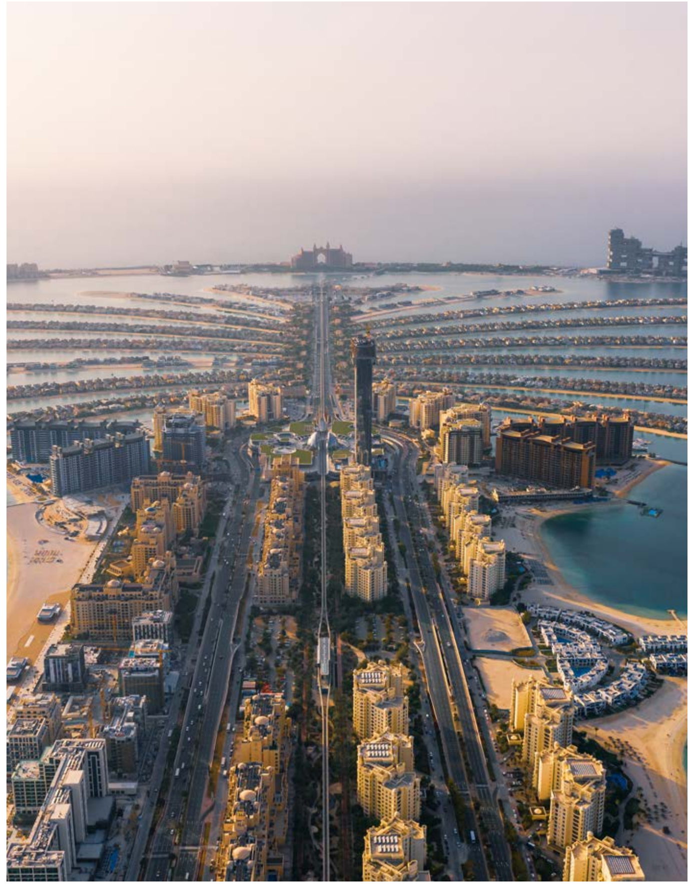
RESIDENTIAL
RENTAL MARKET

Mirroring the robust transaction activity in the sales market, the rental market has also picked up pace with widespread rental rises seen across districts.

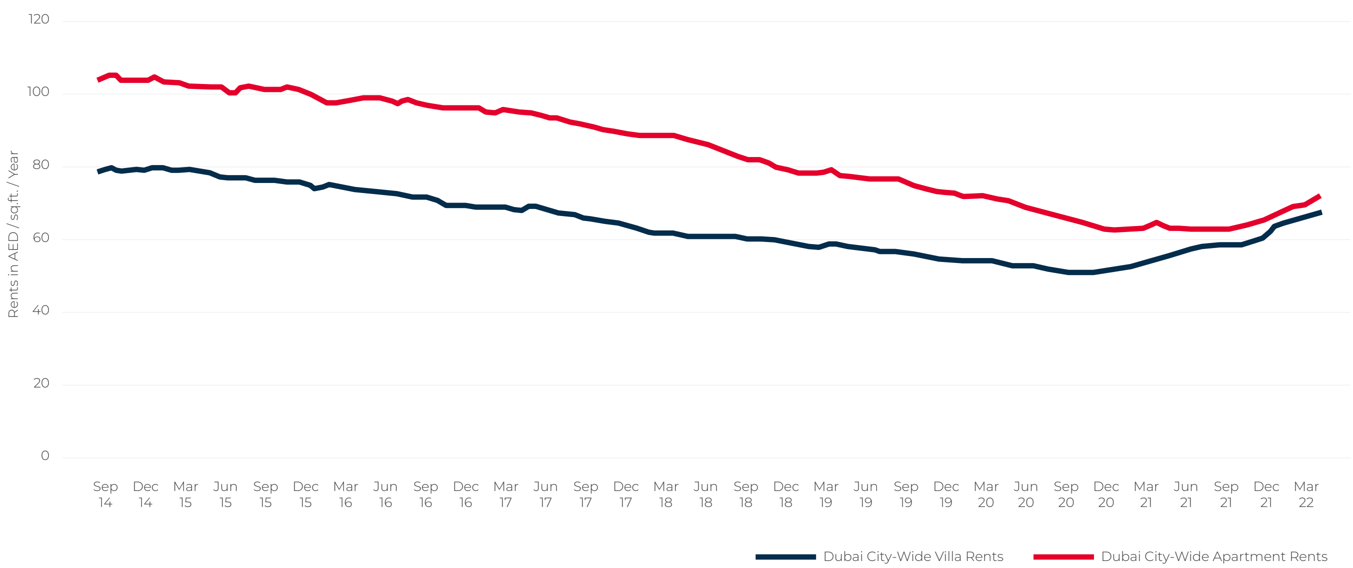
Apartments in Palm Jumeirah continue to lead with a rental spike of 38% year-on-year, followed by Dubai Marina (34%) and The Greens and The Views (24%). However, a few outer districts continue to underperform such as Discovery Gardens (-4%), Dubai Sports City (2%) and Dubailand (3%). The sharpest rise in year-on-year villa rents were again seen in Palm Jumeirah (36%) followed by Jumeirah Park (25%) and the Lakes (21%).

The citywide villa rental average is up by 23% and apartments by 10% year-on-year. While improving at record pace, these rents are still below 2014 peak values, with villas lagging by -16% and apartments by -33% However, we expect at the current pace, city-wide villa market rents to reach the 2014 mark by end of this year and apartments rents following through.

We are seeing many tenants trying to find support from the RERA rental index to avoid sharp rises that landlords are asking for during renewals. However, new leases are driven by market conditions with many landlords, particularly of units in sought-after buildings and districts achieve asking prices.



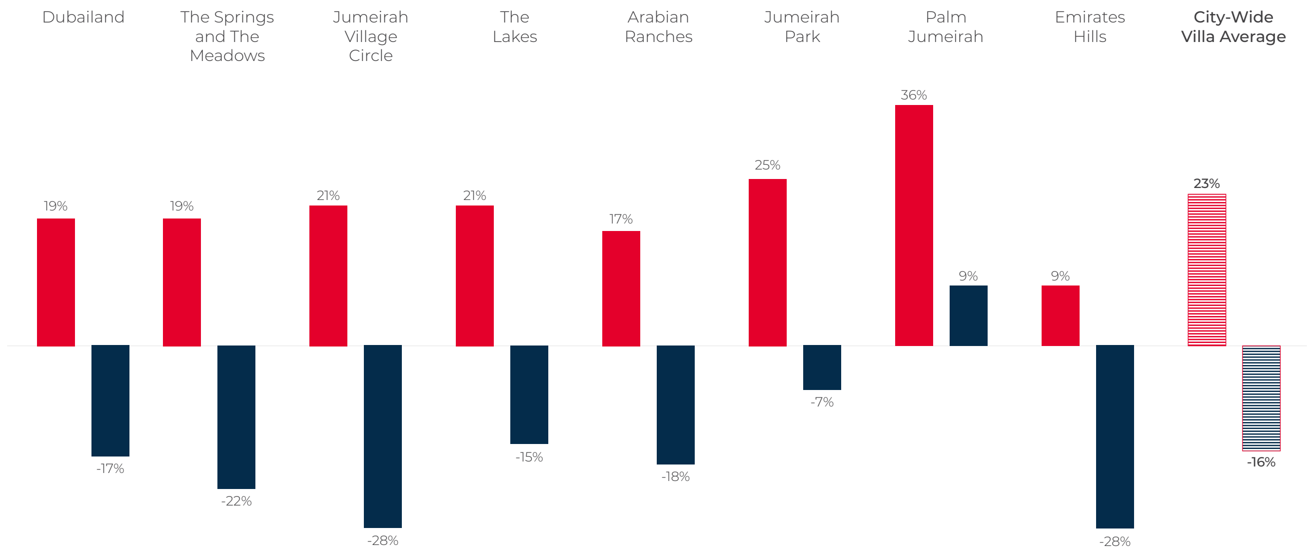
Dubai City-Wide Rental Trends



Source: REIDIN, Cushman & Wakefield Core Research

RESIDENTIAL
RENTAL MARKET

Villa Rents Q1 2021 vs. Q1 2022



Apartment Rents Q1 2021 vs. Q1 2022

Source: Cushman & Wakefield Core Research

COMMERCIAL MARKET

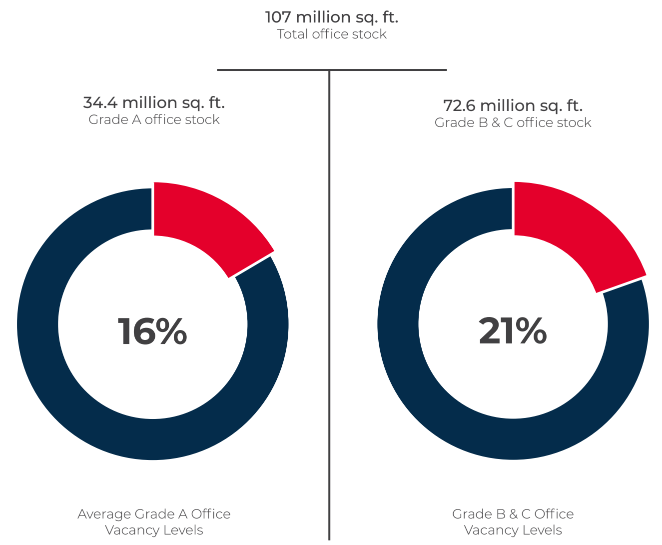
DUBAI OFFICE MARKET SUPPLY

Over 480,000 sq. ft of total office space was delivered in Q1 2022 bringing the total Dubai Office stock to 107 million sq. ft. Major deliveries include two buildings in Park Heights Square in Dubai Hills by Emaar and the next phase of the Deira Enrichment Project by Ithra. Over the remainder of 2022, we expect the much-anticipated Uptown 2020 in JLT, next phases of CommerCity and the first phase of the District 2020 office portfolio be brought to market.

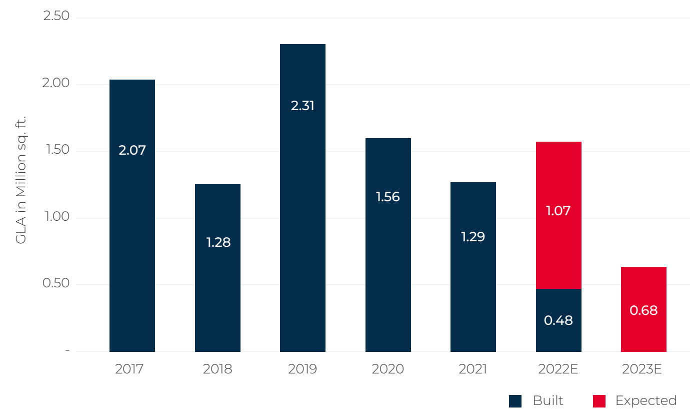
Over 2023, we expect One Zabeel, a mixed-use development by Ithra and the second phase of the District 2020 office stock to comprise major portion of the upcoming office supply. Furthermore, additional re-purposed office supply is expected to be brought to market.

Note: Render image from Developers Website

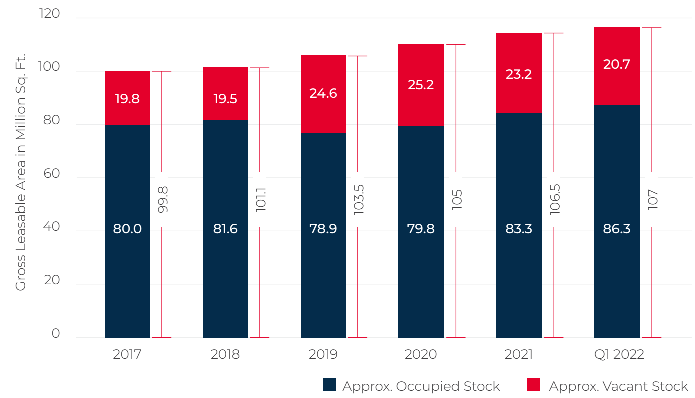
Dubai Office Market in Numbers



Dubai Office Supply 2017 - 2023



Total Office Occupied vs. Vacant Stock



Source: Cushman & Wakefield Core Research

OFFICE MARKET **DEMAND TRENDS**

Meta (Facebook) opened its regional headquarters in Q1 2022, Visa had their purpose-built headquarters opening last year, and many global firms relocating their employees and operations from Eastern Europe and Russia to the UAE is further cementing Dubai's position as a global commercial and technology hub. In addition to 100% foreign ownership, ever-evolving visa reforms further attracting international talent, ease of doing business and the efficient management of the pandemic while keeping business continuity at the forefront have made many global occupiers flock to Dubai.

Enquiries are predominantly stemming from new market entrants who are looking to enter Dubai and service the wider region through this gateway city, and this is demonstrated by the record number of licences being issued and by a higher number of new Ejari registrations (53% new registrations compared to 47% renewals). In DIFC, we are seeing nearly 80-90% of leads received from companies under formation coming from EU/US and now Russia. Demand continues to be led by the services and technology sectors, particularly Fin-tech occupiers. In addition, progressive cryptocurrency regulations and frameworks in place, Dubai is attracting many crypto businesses.

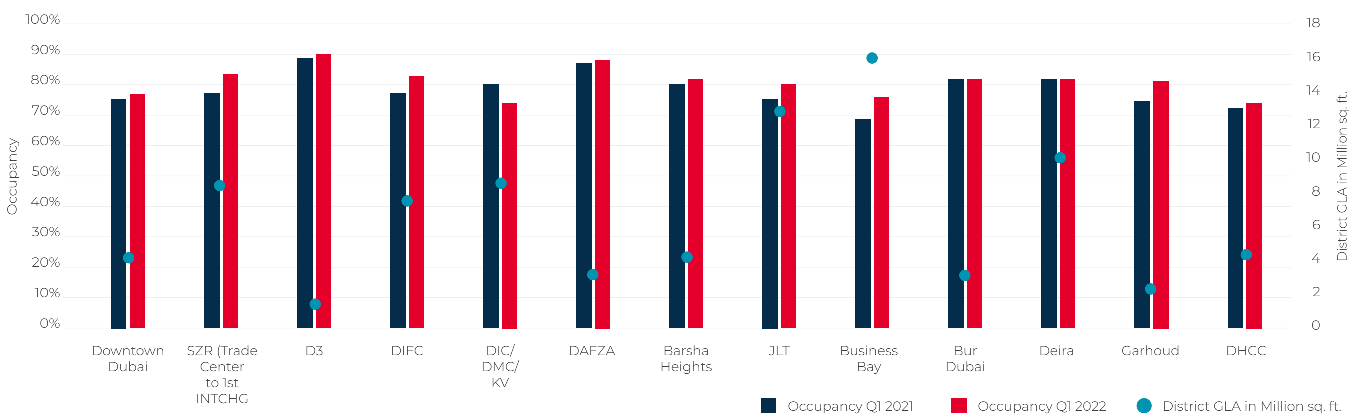
On the other hand, most relocation and consolidation activity was concluded over H2 2020 and 2021, with existing occupiers keeping their current offices due to lower and more attractive lease rates that they were able to achieve during or prior to COVID-19. Furthermore, while hybrid workplace strategies are in place, most firms are bringing their employees back to the office and retaining existing spatial footprints.

This is further evidenced by the recently available Ejari data from Dubai Land Department where renewals accounted for nearly 69% of the total office space occupied while new registrations accounted for only 31%, indicating that new entrants are taking up relatively smaller spatial requirements to test, adapt and scale.

We have seen occupancy levels improve steadily over the last few quarters across both Grade A and Grade B stock with Q1 2022 city-wide occupancy levels at 81%, the highest it has been in the last 5 years. The highest number of enquiries and the sharpest rise in occupancy levels were witnessed in Business Bay and JLT (largely strata districts). The CBD districts of Sheikh Zayed Road and DIFC have also witnessed marked improvements in occupancy levels.

We are seeing a higher conversion of enquiries and shorter transaction timelines, particularly for smaller fitted units. The most preferred office size is between 1,000 sq. ft to 3,000 sq. ft range with a very high preference for fitted office spaces which continues to be in short supply in superior built and centrally located office stock.

Office Occupancy Q1 2021 vs. Q1 2022



Source: Cushman & Wakefield Core Research

OFFICE MARKET **RENTAL TRENDS**

With most fitted and well-built supply witnessing strong absorption, we are seeing a race for quality stock across key office districts leading to growing upward pressure on headline rents and occupancy levels. Many landlords (particularly those owning fitted units) aware of the turning market, are now achieving asking prices or in some cases premiums on asking prices as well with limited room for incentives and negotiations (subject to client and spatial requirement).

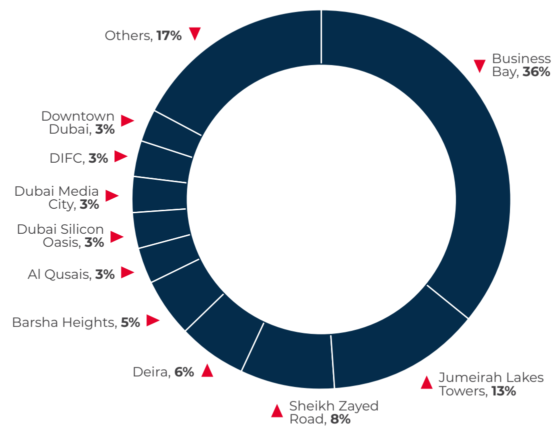
While supply remains available in either shell and core condition or sub-par stock, the lack of quality units in sought-after buildings is driving average asking rents up across most Dubai office districts we track. The sharpest rises in average year-on-year office rents were seen in Sheikh Zayad Road (35%), One Central (29%), Business Bay, JLT (29%) and Downtown Dubai (16%). Old Dubai districts which struggled to maintain headline rents for years are also witnessing double digit rental increases.

DIFC, Sheikh Zayed Road and Downtown Dubai have seen many large full floor transactions being concluded over the last few months. Notable transactions include Noon in Downtown Dubai, Talabat in Citywalk, and Richemont in ICD Brookfield Place.

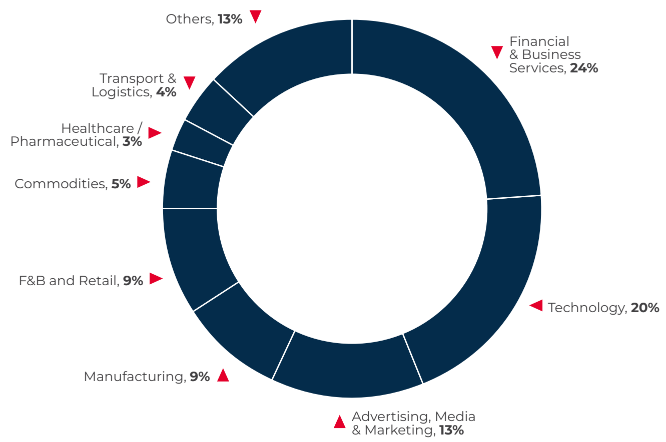
We are witnessing a rising number of enquiries from new business centres and have seen prominent global flex-space operators such as WeWork, Servcorp, Regus and local providers also record near full occupancy. Many freezones, large single landlords operated business centres and CAT B (ready to move in) spaces are also witnessing a similar trend with very nominal availability. There is very limited sub 1,000 sq. ft fitted stock available in the market which is what is in demand for new entrants testing the market and is being rented at a premium.

However, most landlords with shell and core units are still reluctant to fit-out units and would rather wait for a long-term commitment from a client to fit the space out. With supply being limited, many tenants are being pushed to take this route.

Office Enquiries by Area Q1 2022

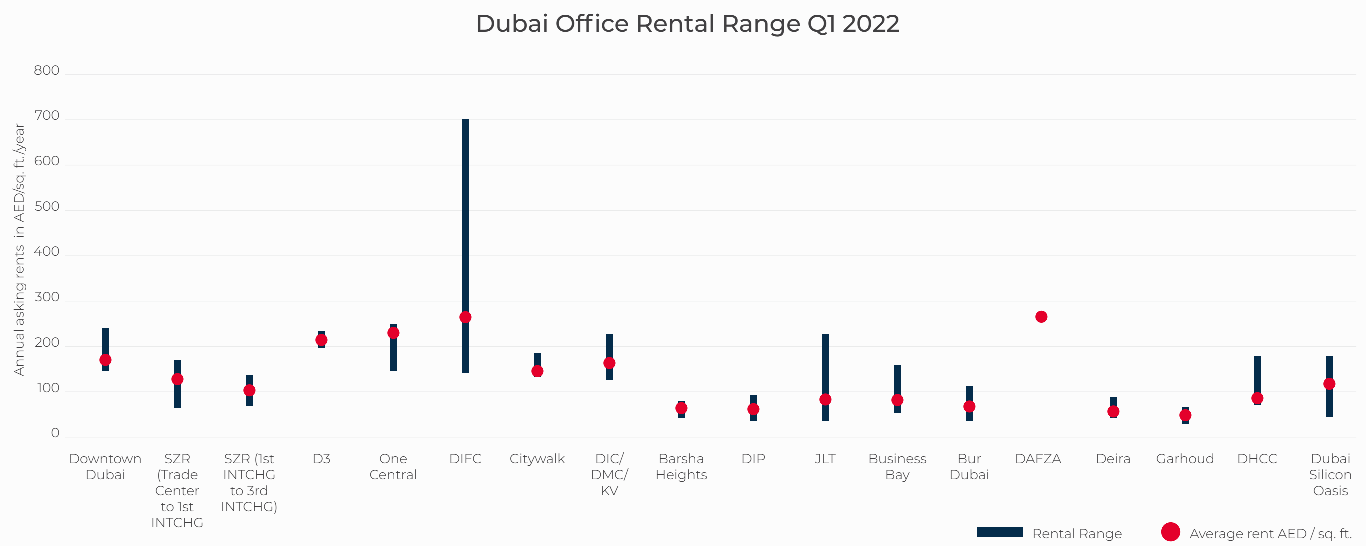


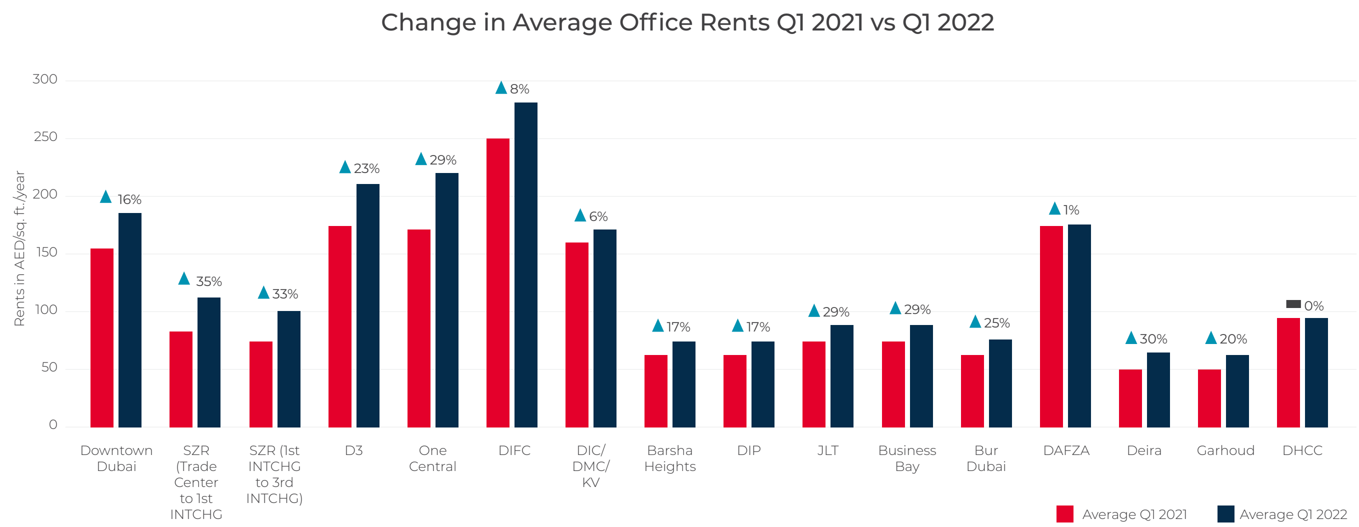
Office Demand by Sector - Q1 2022



Source: Datafinder, Cushman & Wakefield Core Research

DUBAI OFFICE **RENTS**





Source: Cushman & Wakefield Core Research

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