CUSHMAN & WAKEFIELD | CORE

DUBAI MARKET UPDATE

Q3 2023

Q3 2023
MACRO TRENDS

Residential Market Trends

- Off-plan launch volumes slowed down after rallying for several quarters. Q3 2023 saw only 11 new projects launched compared to 57 projects during Q2 2023 and 36 projects during Q3 2022.
- Off-plan transactions also saw a sharp 62% drop in September 2023 compared to August 2023.
- At over 20%, Q3 2023 witnessed the sharpest year-on-year sales price rise since the end of the pandemic. 2022 saw an 11% increase and 2021 saw a 12% increase during the same period.
- Although residential rents continue to rise, the pace is slowing down. City-wide rents in Q3 2023 saw a 20% year-on-year increase compared to 28% in Q3 2022.
- Residential gross yields are at a seven-year high, representing an improvement in returns for residential units due to higher increases in rental prices compared to sales prices.

Office Market Trends

- The office market is witnessing occupancy levels at an all-time high. City-wide office occupancy is at 89% and Grade A office occupancy level is at 92%.
- 13 Million sq. ft. of office stock has been absorbed in the last three years.
- Only 2 Million sq. ft. of office space is expected to be handed over in the next two years, most of which is pre-leased.
- City-wide office rents increased by 24% year-on-year and are 10% above 2014 peak values.
- Downtown Dubai at 68% and Sheikh Zayed Road (Trade Center) at 50% saw the highest annual office rental increases.

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RESIDENTIAL MARKET

Snapshot Q3 2023

806,372
Total residential units in Dubai as on Q3 2023

3.6Mil+
Resident population as on H2 2023

16%
Villas

84%
Apartments

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

21%
Year-on-year rise in city-wide residential rents

5.7%
Gross villa yield

7.2%
Gross apartment yield

RESIDENTIAL **SUPPLY**

Dubai saw over 16,000 units handed over in Q3 2023, bringing the YTD 2023 supply volumes to over 25,600 units, in line with our forecasts earlier this year.

The supply continues to be highly skewed towards apartments, with over 95% of all Q3 2023 deliveries being apartments and just 5% comprising villas. Such low levels of new villa handovers are expected to continue applying upward pressure on villa sales prices and rents.

With over 53%, Meydan One situated in Mohammed Bin Rashid District accounted for the highest share of deliveries in Q3 2023, followed by Business Bay, constituting 17% of new handovers. Notable deliveries included villas in Veneto Villas located in Damac Hills, apartments in Residences-District One, apartments in Burj Crown, and apartments within Azizi Riviera developments in Meydan One.

An additional 10,800 units are anticipated in Q4 2023, bringing the yearly total to over 36,400 units, making the 2023 total nearly 26% higher than 2022 handovers. 32% of all deliveries in Q4 2023 are expected in MBR City (predominantly stemming from Azizi Riveria), followed by Rukan (Dubai Land) at 16%, and Business Bay at 9%. In 2024, Business Bay is expected to see the highest deliveries for apartments, while Damac Lagoons is anticipated to deliver majority of the villa units.

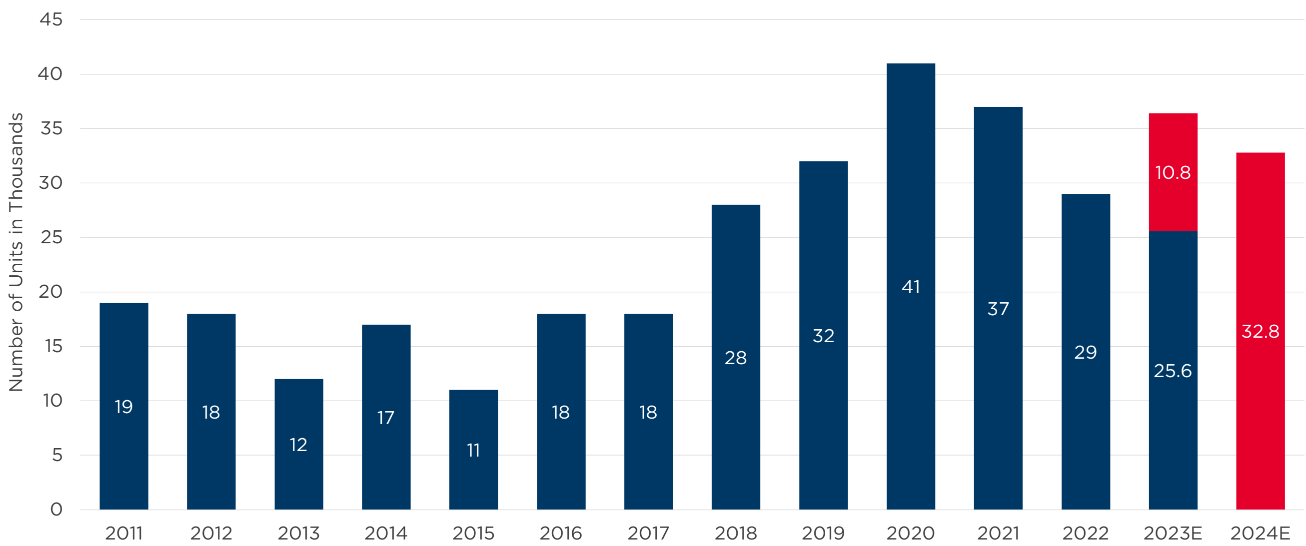
Population Increases vs. Handovers

In 2023, schools in Dubai saw a 12% increase in enrolments, with an additional 39,000 students enrolling in private schools indicating a potential increase in demand from young families. Furthermore, Dubai's population continues to witness a steady growth of 2% year-on-year. This, along with increasing employment rates, suggests a continued and robust demand for residential properties.

Dubai Population

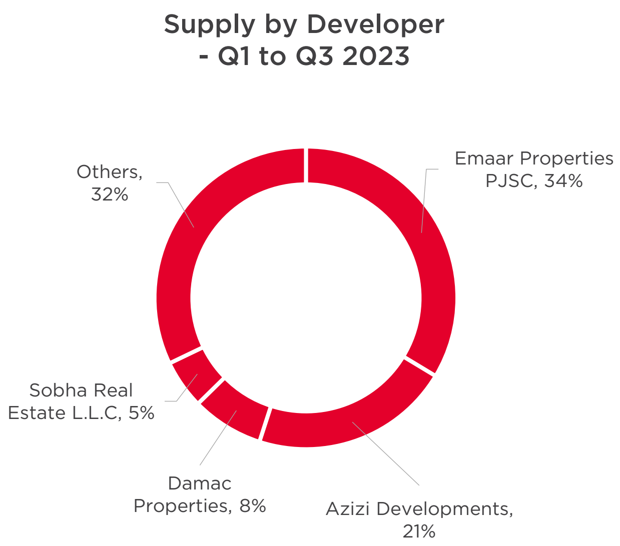
Source: Cushman & Wakefield Core Research, Dubai Statistics Center

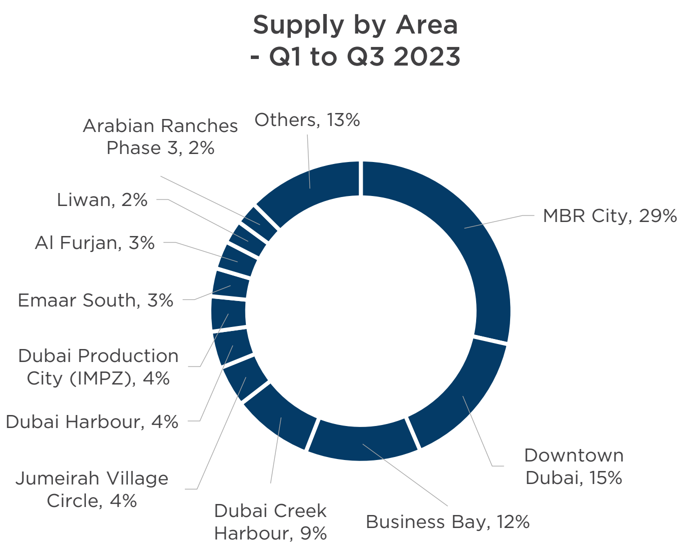
Residential Deliveries in Dubai 2011 - 2023

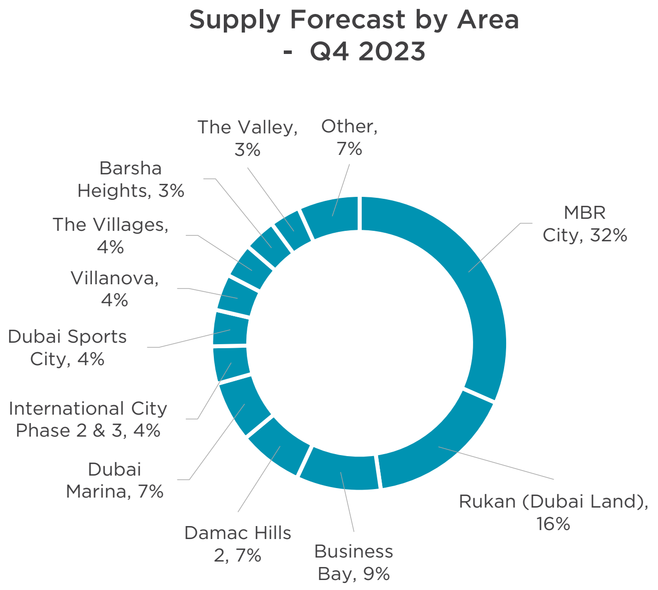


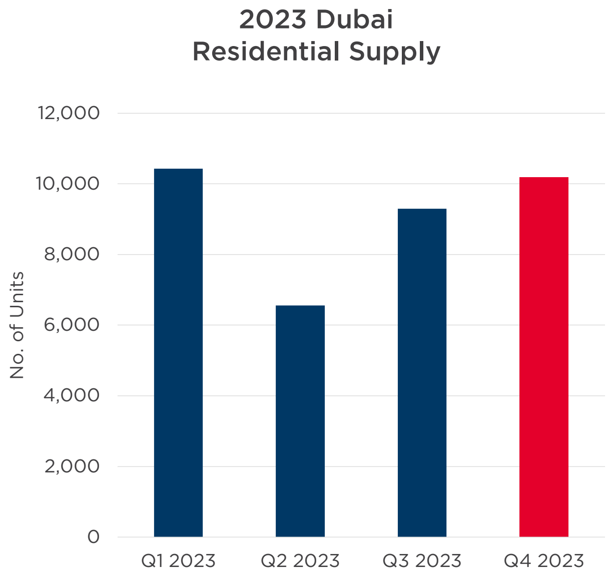
Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL **SUPPLY**



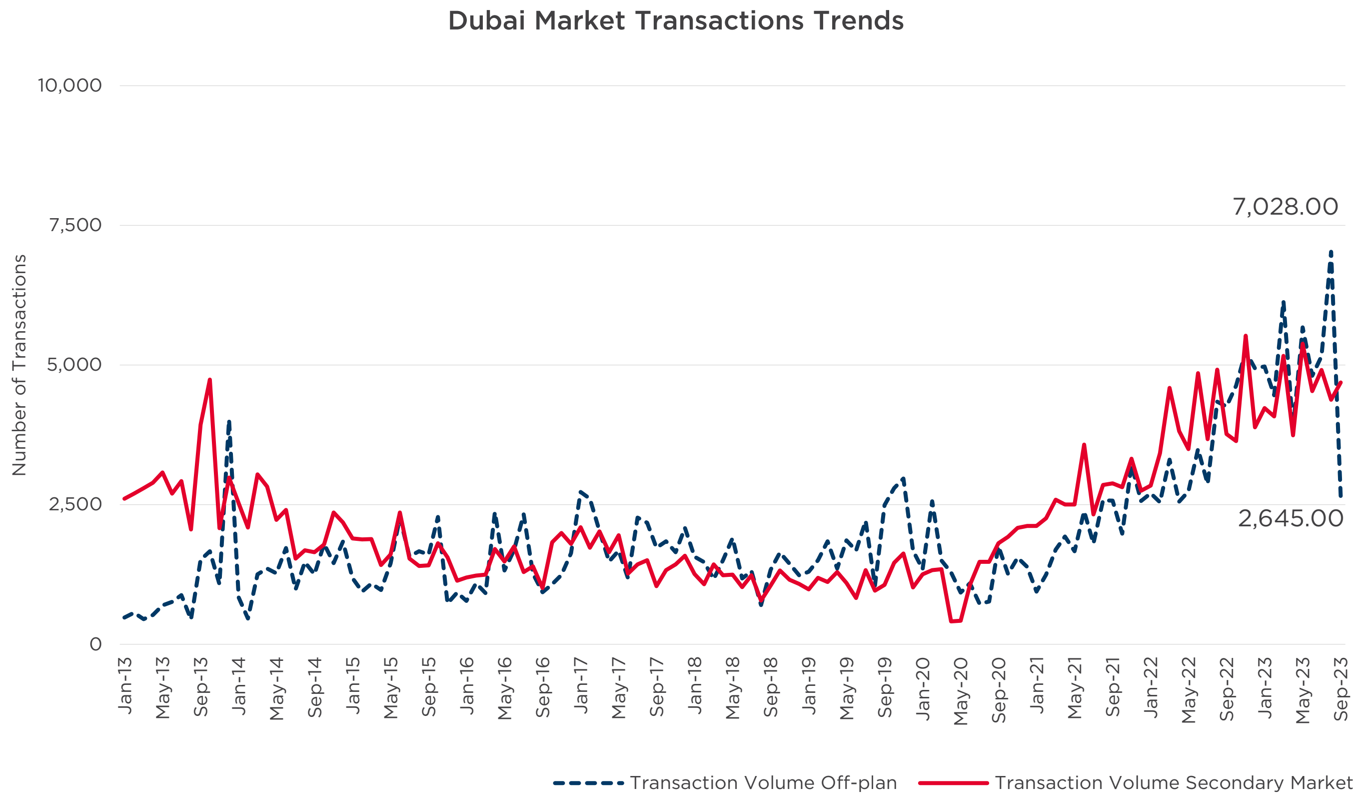




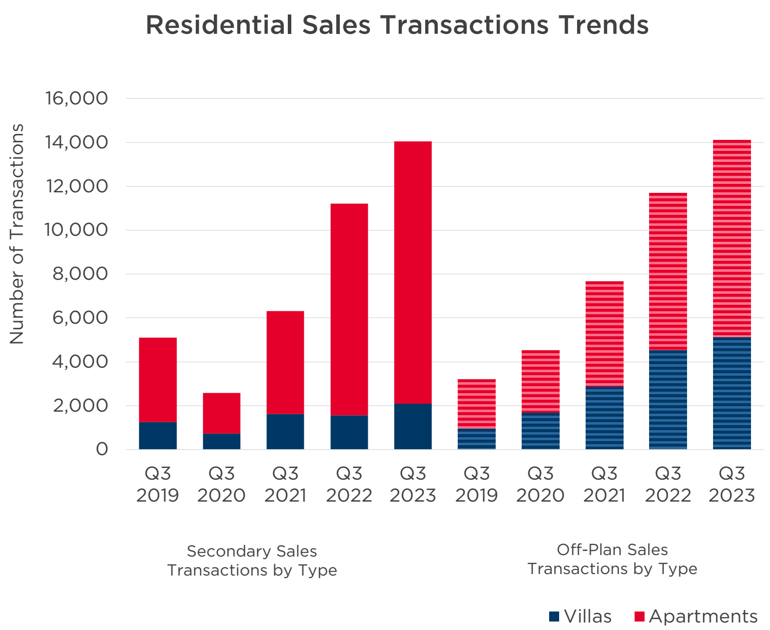


Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL **TRANSACTIONS**



Source: Cushman & Wakefield Core Research, REIDIN



Source: Cushman & Wakefield Core Research, REIDIN

In Q3 2023, off-plan market transaction activities saw a 21% increase year-on-year (13% increase for villas and 25% for apartments).

Meanwhile, the secondary market recorded a 25% uptick in transaction volumes in Q3 2023 compared to the same period in 2022, with villa transactions rising by 34% and apartments by 24%. Emaar continues to lead sales transaction activity in off-plan and secondary market transactions.

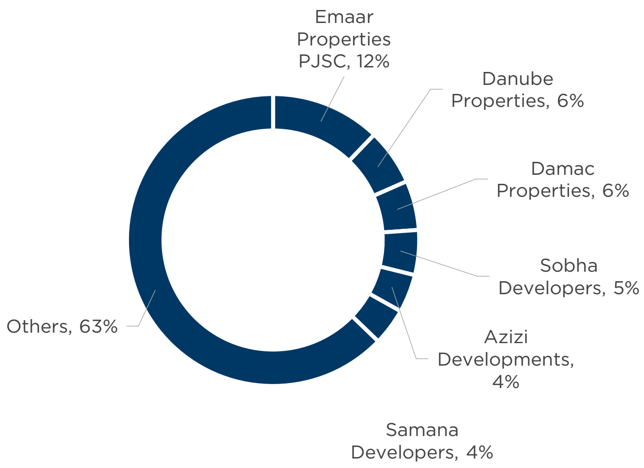
That said, off-plan transaction activity dropped by 62% in September 2023 compared to August 2023 volumes, and it would be interesting to see how the end of the year plays out.

RESIDENTIAL **TRANSACTIONS**

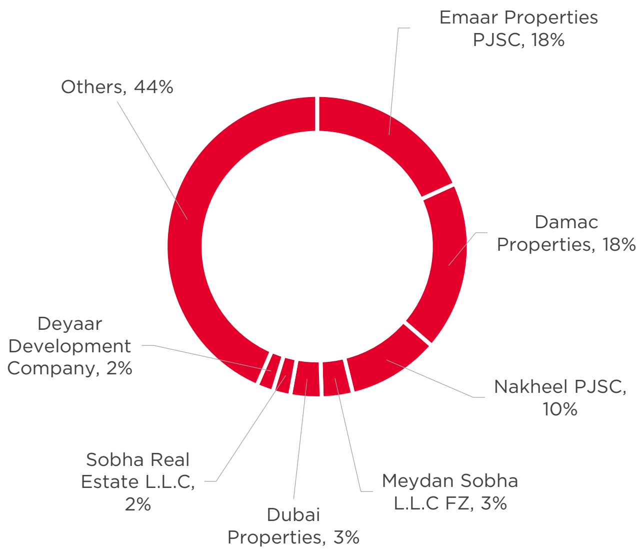
While both the off-plan and secondary markets saw nearly over 14,000 transactions in Q3 2023, the secondary market surprisingly saw a higher share of apartment transactions compared to the off-plan market. Q3 2023 transaction volume for apartments saw 32% more transactions in the secondary market compared to the off-plan market.

Villa units saw higher transaction volume in the off-plan market compared to the secondary market, reflecting an opposite trend compared to apartments. This could be due to an increase in new villa inventory available in the off-plan market compared to the secondary market. In contrast, apartment transactions in the secondary market would be due to increased demand for end users and investors looking for immediate returns.

Off-Plan Market Sales Transactions by Developers - Q3 2023

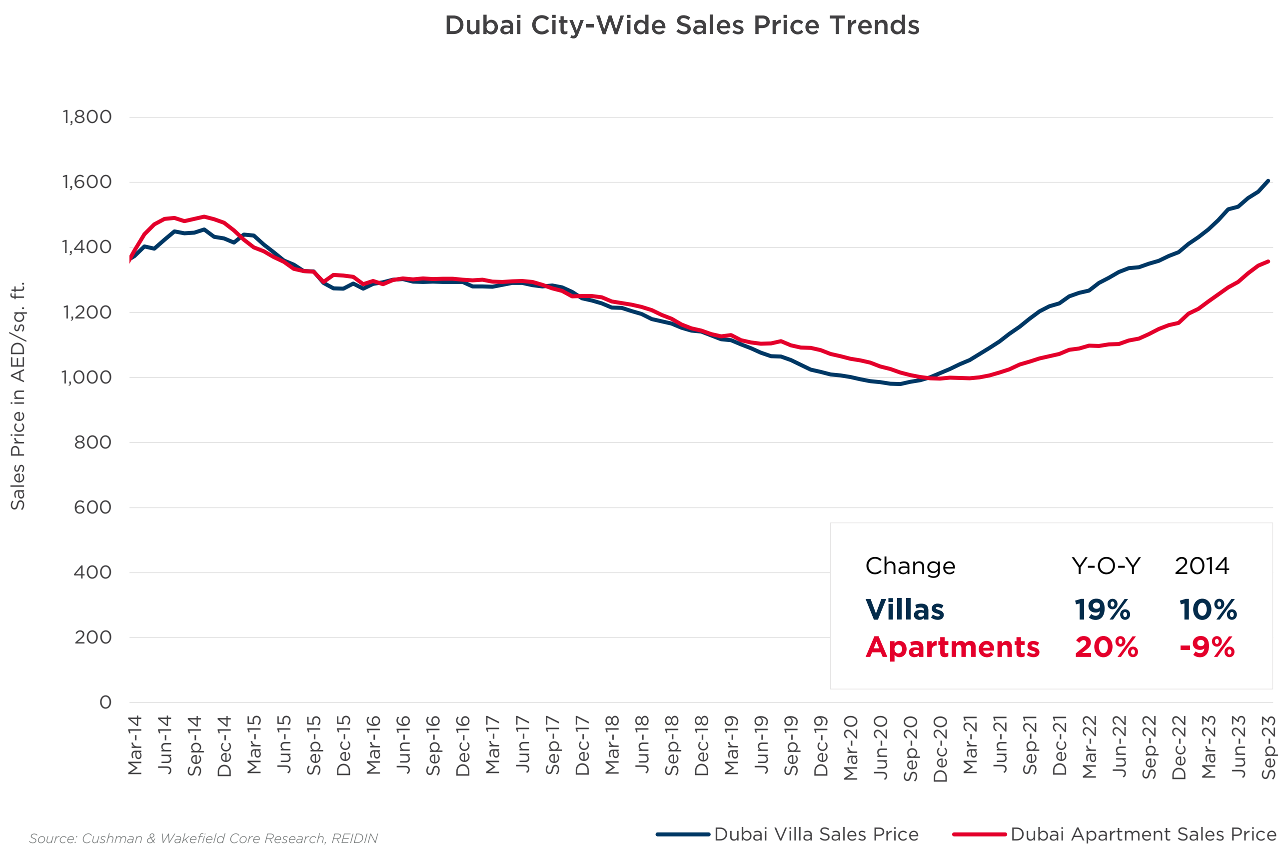


Secondary Sales Transactions by Developers - Q3 2023



Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL **SALES PRICES**



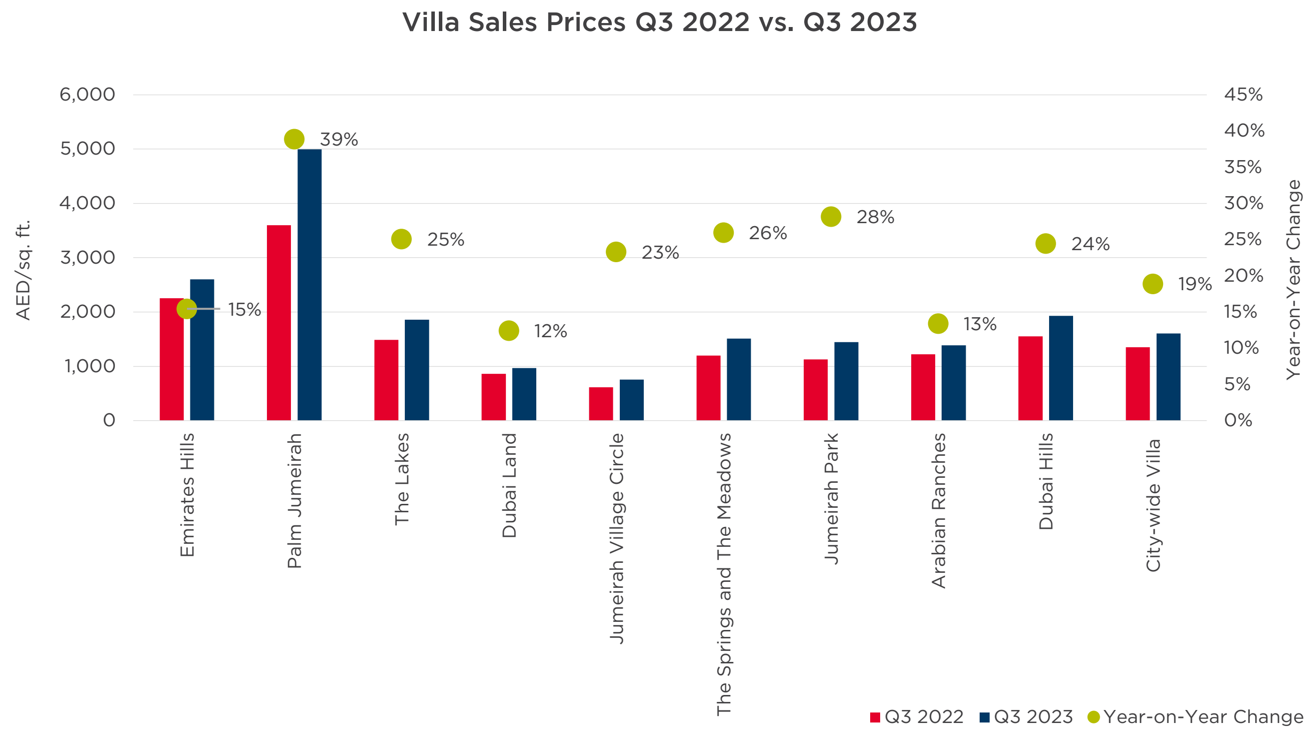
Source: Cushman & Wakefield Core Research, REIDIN

In Q3 2023, city-wide villa prices across Dubai experienced a 19% year-on-year increase and a 10% rise compared to the peak prices observed in 2014. Notably, Palm Jumeirah stands out with a remarkable 39% year-on-year price hike while being over 79% compared to 2014 peak prices.

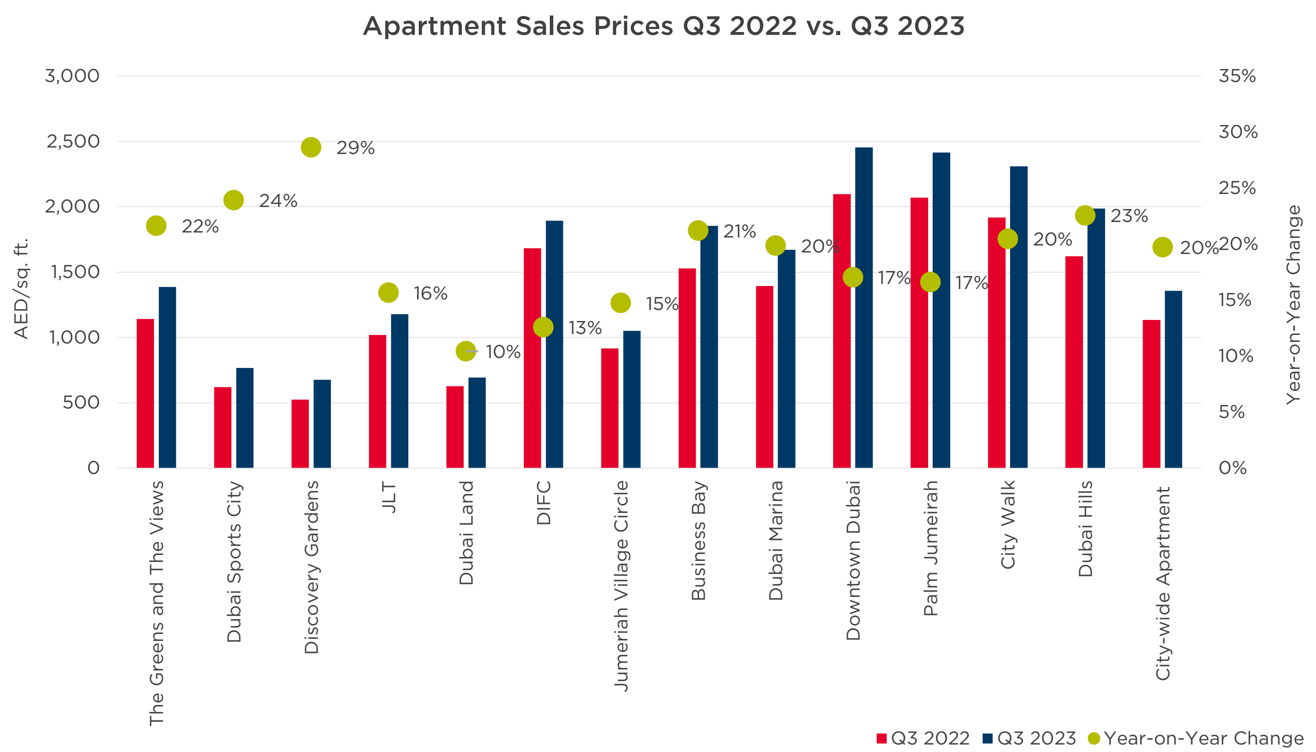
For apartments, Q3 2023 city-wide apartments saw a 20% year-on-year price upswing compared to Q3 2022, although prices remained 9% below the 2014 peak, displaying potential room for further growth. We saw affordable districts with low entry points such as Discovery Gardens and Dubai Sports City witness substantial year-on-year price growth of 29% and 24%, respectively. Apartments in Downtown Dubai and Palm Jumeirah had the highest transacted sales prices at AED 2,400 per sq. ft. and both the districts registered a 17% year-on-year increase.

> Although sales prices have been rising steadily over the last 3 years, Q3 2023 marked the sharpest year-on-year sales price increase at 20%.

RESIDENTIAL
SALES PRICES



Source: Cushman & Wakefield Core Research, REIDIN



Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL
RENT PRICES

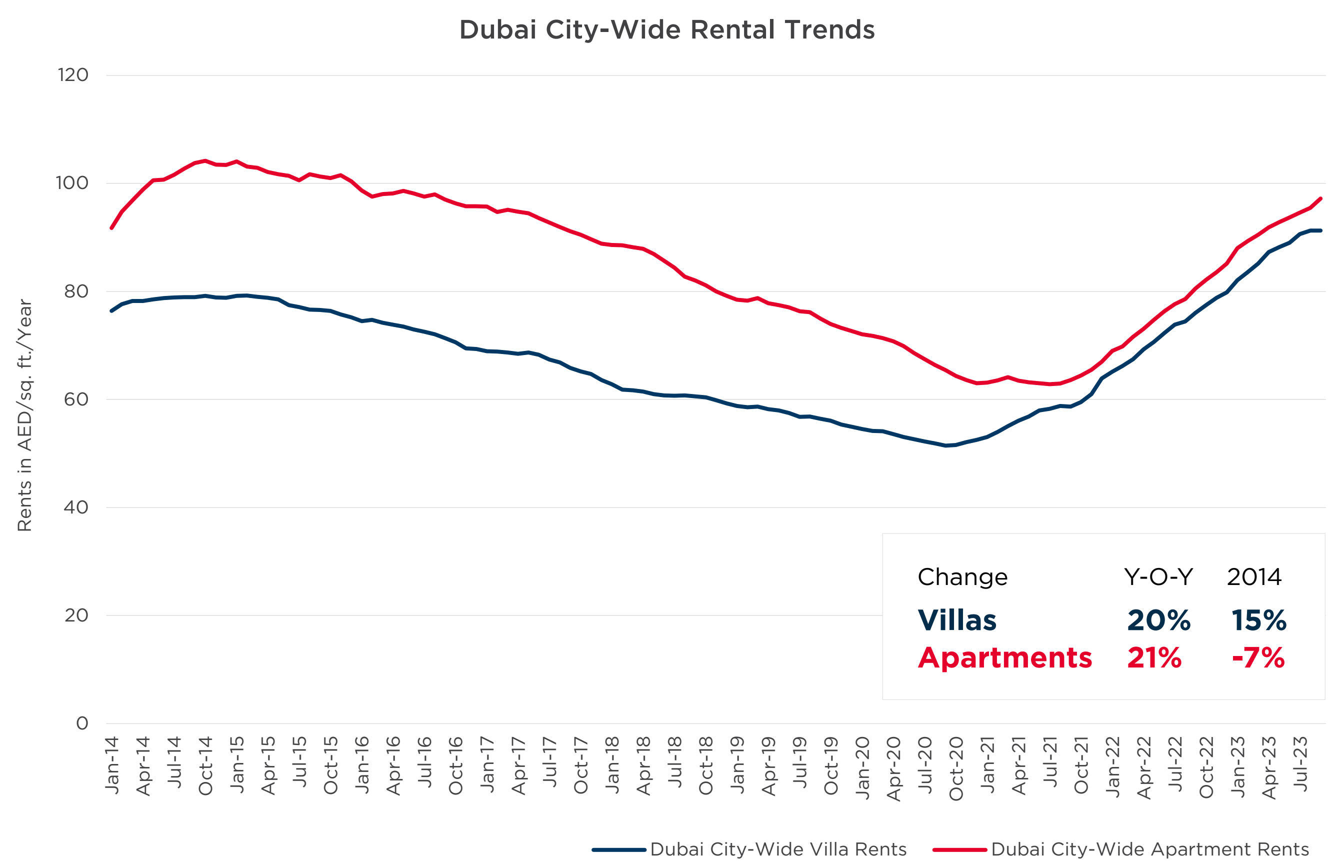
In Q3 2023, rental prices in the city continued to rise across the villa and apartment districts. Interestingly, mainstream villa markets saw sharper rental increases with Jumeirah Village Circle (JVC) seeing the highest year-on-year price increase at 35%, followed closely by The Springs and The Meadows at 29%, and Dubai Land at 23%. Overall, city-wide villa rentals recorded a substantial 20% year-on-year increase, and they remained 15% above the peak prices observed in 2014.

In recent years, villa markets have been leading price recovery. However, there is now a noticeable trend of sharper rental increases in apartment districts compared to the villa market. Overall, city-wide apartments have seen a 21% year-on-year increase, although they remain 7% below the peak prices observed in 2014.

DIFC stood out with the highest year-on-year price increase at 38%, followed by Dubai Hills at 34% and Jumeirah Village Circle at 29%. City Walk, Downtown Dubai, and Palm Jumeirah remain the most expensive apartment districts in Dubai.

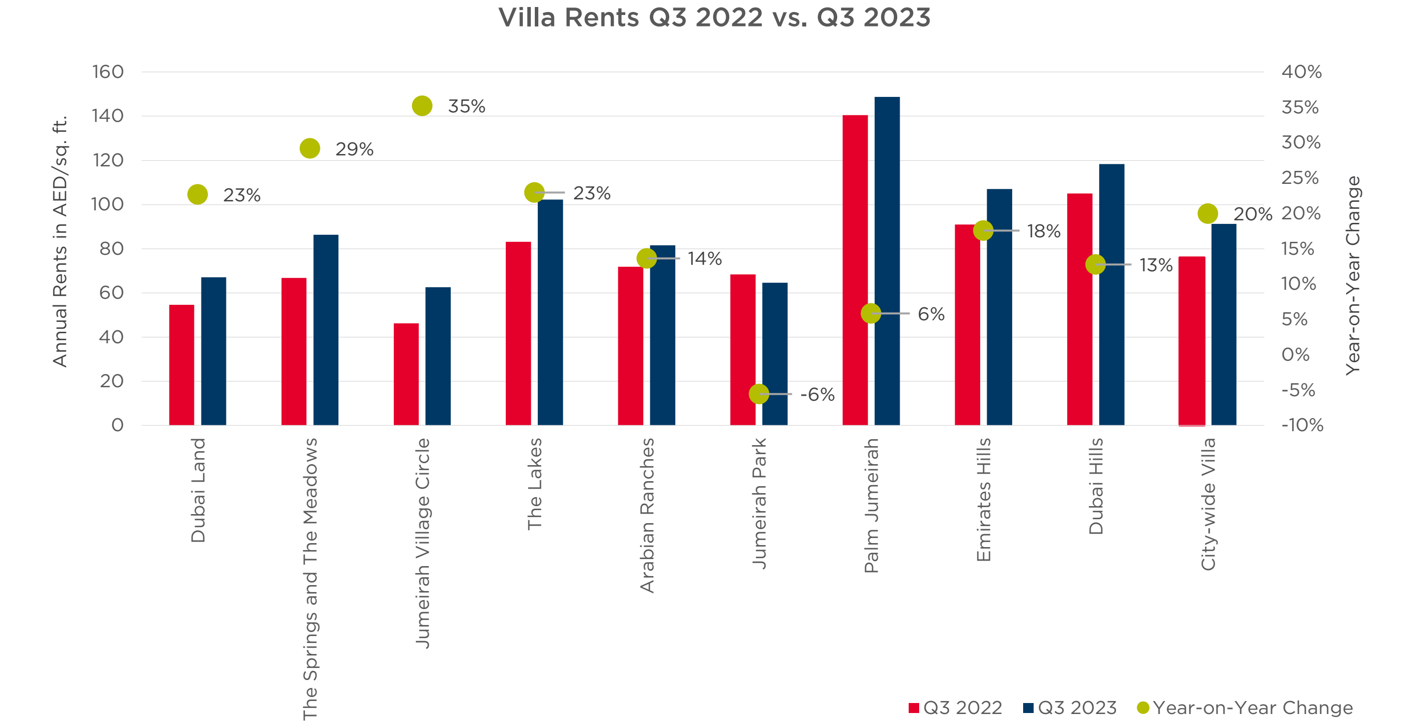
> “ While the upward trajectory in rental increase continues with strong year-on-year rises, we have seen the pace of increases mark a slowdown over Q3 2023, and see signs of moderation in the rental market.

> “ Coming off from lower bases, affordable and outer areas have seen a relatively sharper rise in villa rents compared to prime areas

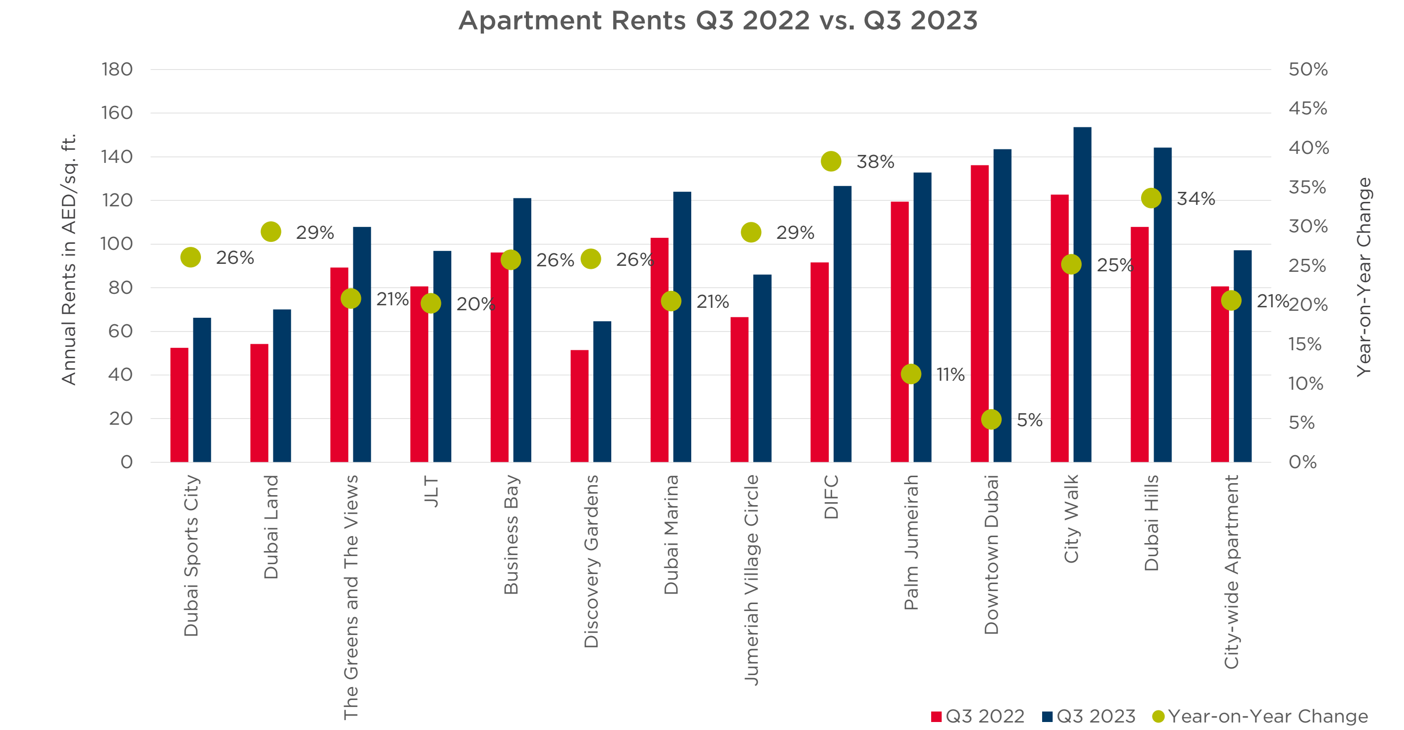


Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL
RENT PRICES



Source: Cushman & Wakefield Core Research, REIDIN

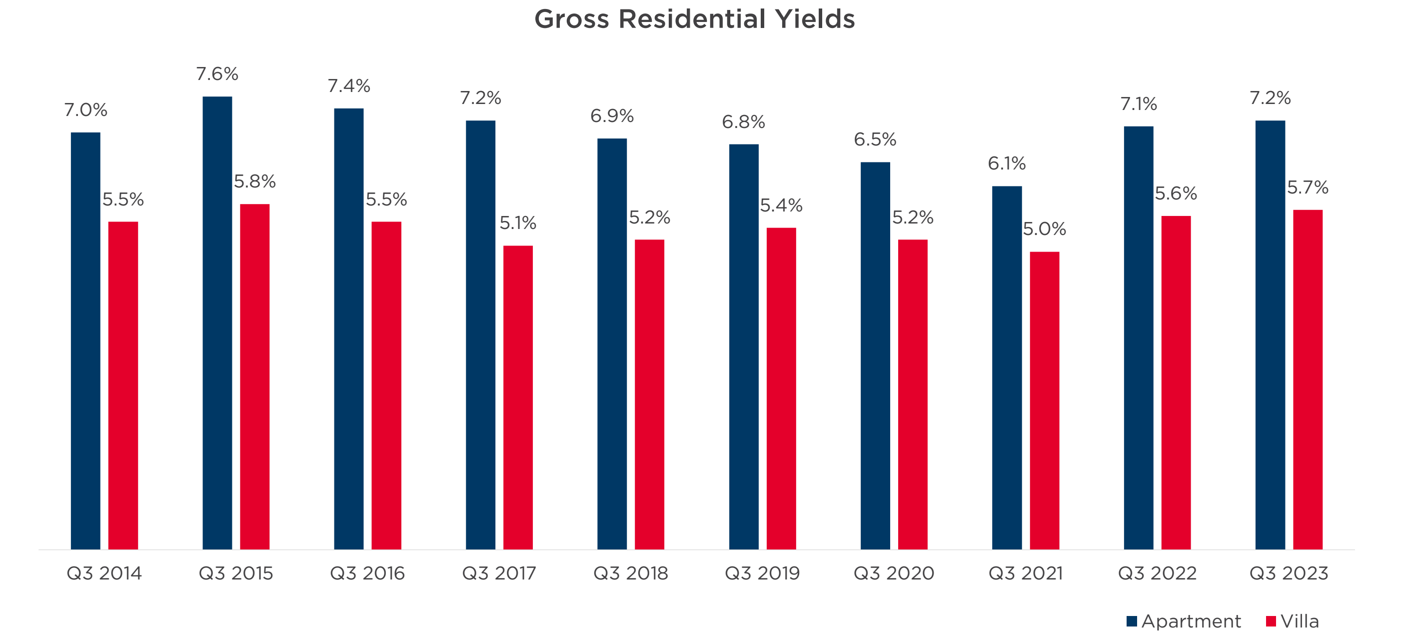


Source: Cushman & Wakefield Core Research, REIDIN

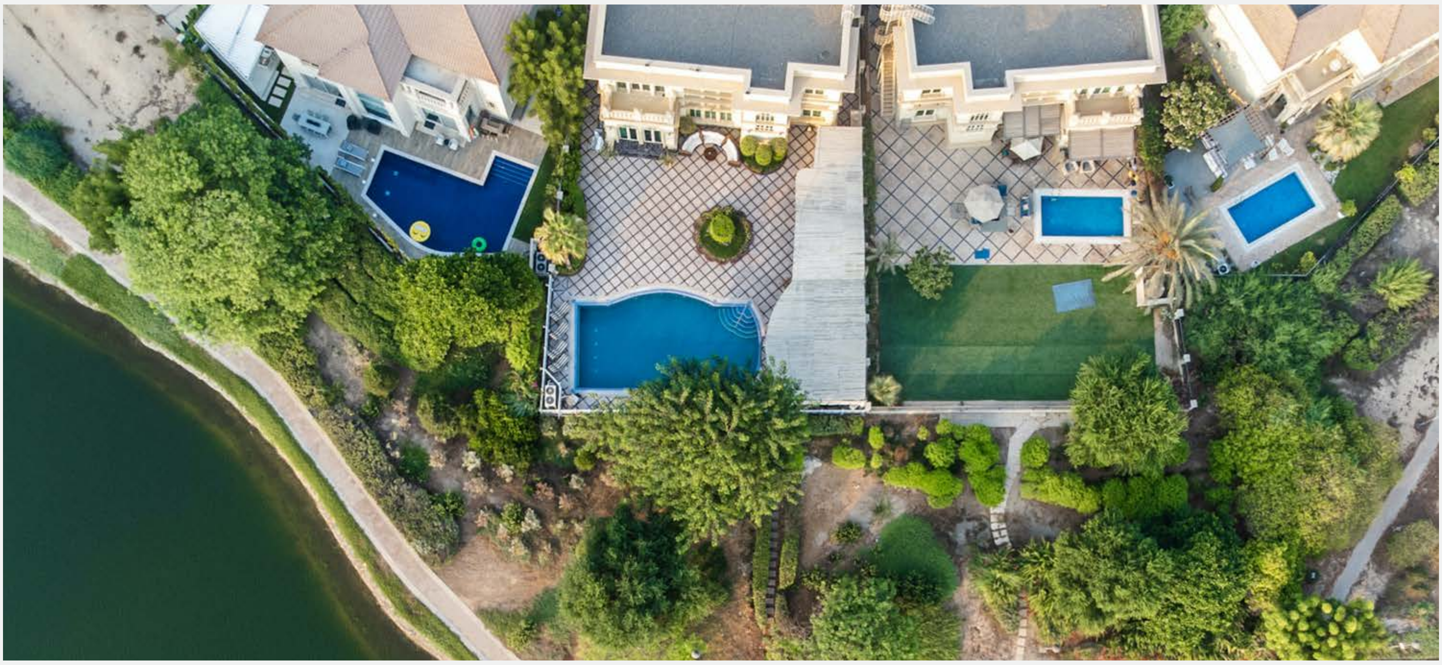
RESIDENTIAL **YIELDS**

From Q3 2022 to Q3 2023, there has been a modest uptick in city-wide gross residential yields for both apartments and villas. Apartment yields increased from 7.1% to 7.2%, while villa yields rose from 5.6% to 5.7%. This signals a slight improvement in investment returns for both property types.

Gross villa yields at 5.7% are at a seven-year high while apartment yields at 7.2% are also at a six-year high as rents have risen at a sharper pace than sales prices.



Source: Cushman & Wakefield Core Research, REIDIN



ULTRA PRIME MARKET

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

Dubai's ultra-prime real estate market has witnessed a notable influx of investment, with over 4,500 millionaires choosing to call the city their home, reflecting the city's enduring appeal as a magnet for luxury real estate investments. The highest transacted ultra-prime properties for villas and apartments were on the Palm Jumeirah and Marsa Al Arab in Jumeirah 3 respectively.

4,500

Millionaires reportedly expected to move to Dubai in 2023

85%

Year-on-year increase in residential properties sold above AED 20 Million in Dubai

AED 15,473/sq. ft.

in Jumeirah Marsa Al Arab - Highest transacted price in AED per sq. ft. for an apartment in Dubai in YTD 2023

AED 420 MN

in Jumeirah Marsa Al Arab - The most expensive apartment sold in Dubai YTD 2023

AED 21,428/sq. ft.

Two signature villas in Palm Jumeirah - Highest transacted price in AED per sq. ft. for a Villa in Dubai YTD 2023

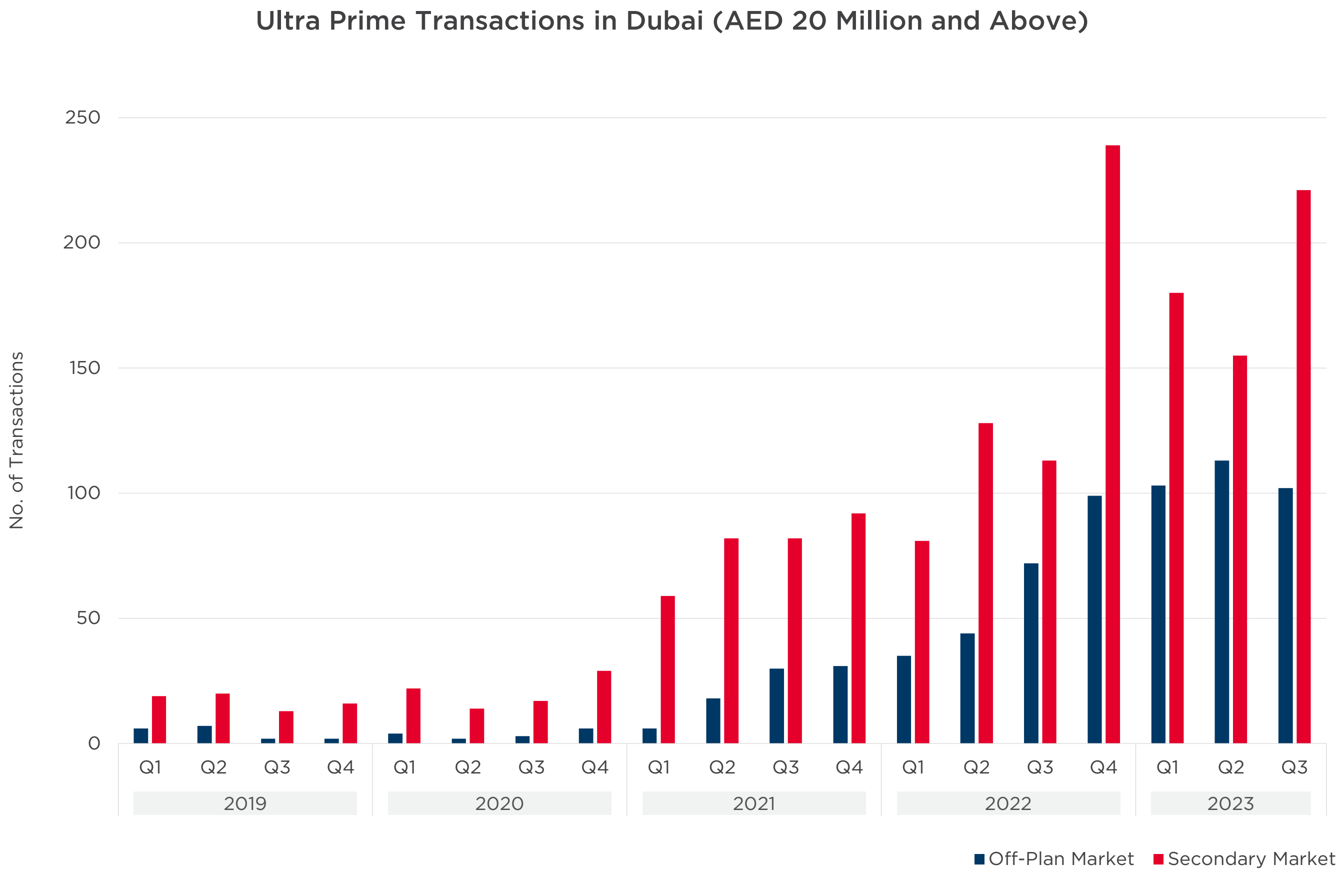
AED 209 MN

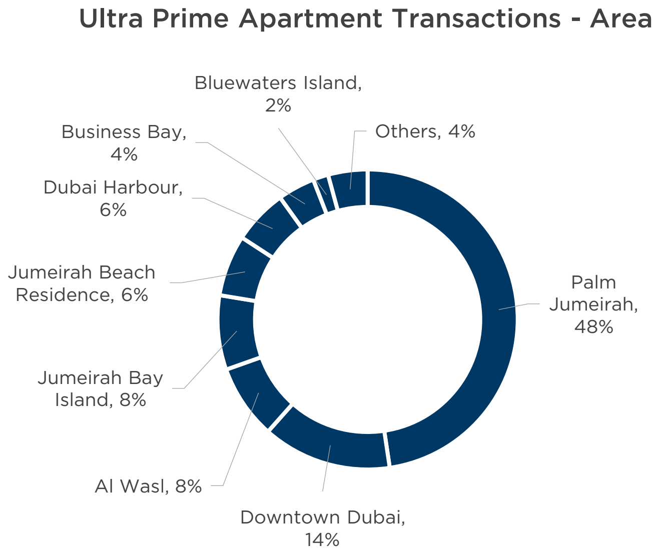
in Emirates Hills - The most expensive Villa sold in Dubai YTD 2023

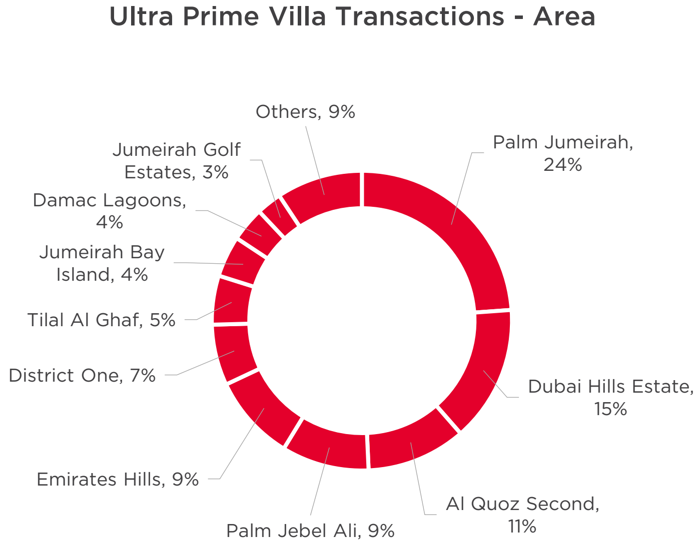
874

Number of residential properties sold above AED 20 Million in Dubai in 2023. The majority of transactions for apartments were located in Palm Jumeirah, Downtown Dubai, Al Wasl, and Jumeirah Bay Island while for villas most transactions were in Palm Jumeirah, Dubai Hills Estate, and District One.

ULTRA PRIME
MARKET







Source: Cushman & Wakefield Core Research, REIDIN

OFFICE MARKET

Snapshot Q3 2023

107.6 Mn sq. ft.
Total existing office GLA

1.92 Mn sq. ft.
Upcoming office GLA by 2025

89%
City-wide office occupancy

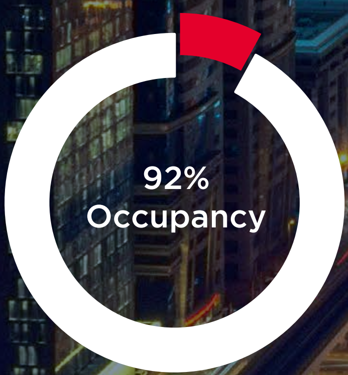
32%
Grade A office stock

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

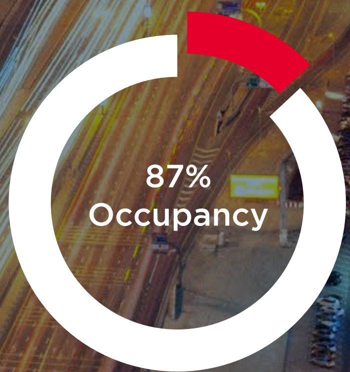
24%
Year-on-year rise in city-wide office rents

Total Office Stock, Occupancy and Vacancy Levels - Q3 2023

34.8 Million sq. ft.
Grade A Office Stock



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



DUBAI OFFICE **SUPPLY**

No new office space was delivered in Q3 2023 and the total office supply remained at 107.6 Million sq. ft. In Q4 2023, the highly anticipated mixed-use development One Zabeel is expected to be handed over, offering over 250,000 sq. ft. of premium office space. Looking ahead to 2024, office supply is projected to increase by approximately 1.3 Million sq. ft., featuring developments such as Wasl Tower, Millenium Downtown (refurbished Crowne Plaza), Expo Phase 2, and the next phases of Dubai CommerCity.

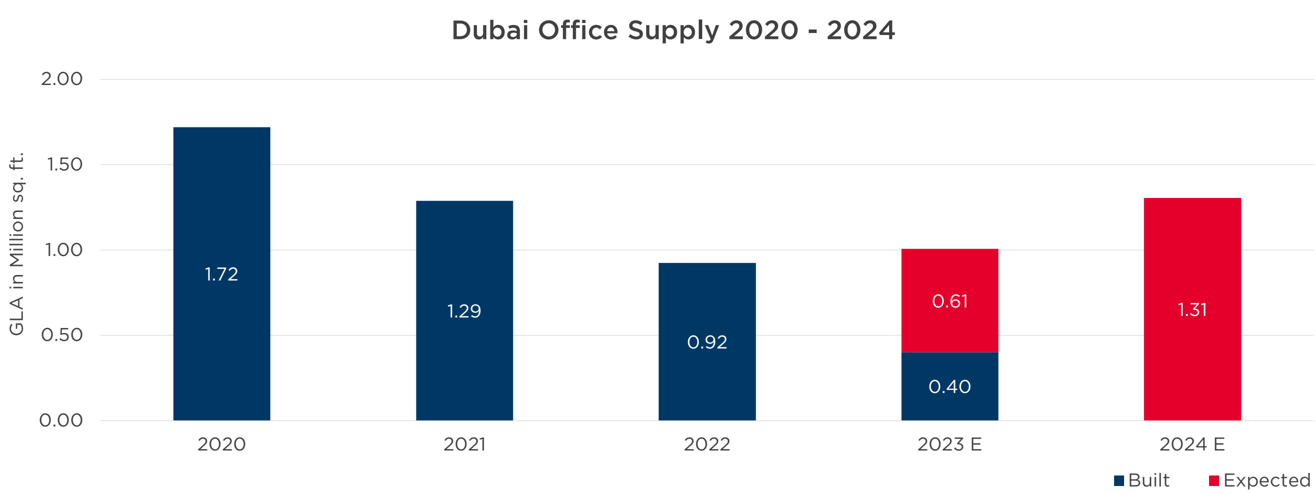
Scarcity in Office Supply in the Near Term

The city continues to grapple with an overall shortage of office stock as demand outstrips supply at an unprecedented pace with office occupancy levels at an all-time high with Prime/Grade A office occupancy levels hovering at 92% while citywide office occupancy levels are at 87% (for context, only 75% of the office market was occupied pre-pandemic).

While freezones such as Dubai South, Expo City and the outer TECOM clusters have some existing office inventory, DED-licensed central locations are severely short on supply. With very limited new onshore office stock currently under construction, we are witnessing many single title landlords (with a land portfolio) and freezones looking to activate new office projects or upgrade/re-purpose existing office stock. However, as it would be at least a two to three-year construction cycle, we expect to have an office supply crunch over the near term, therefore creating further upward pressure on rents and occupancy levels.

With the pace at which we are witnessing absorption, and with the lack of secondary and new office supply, we are looking at a significant shortage of Grade A office stock over the next 18-24 months. We expect this supply-demand imbalance to be addressed by 2026 when most of the ongoing projects and next phases are handed over.

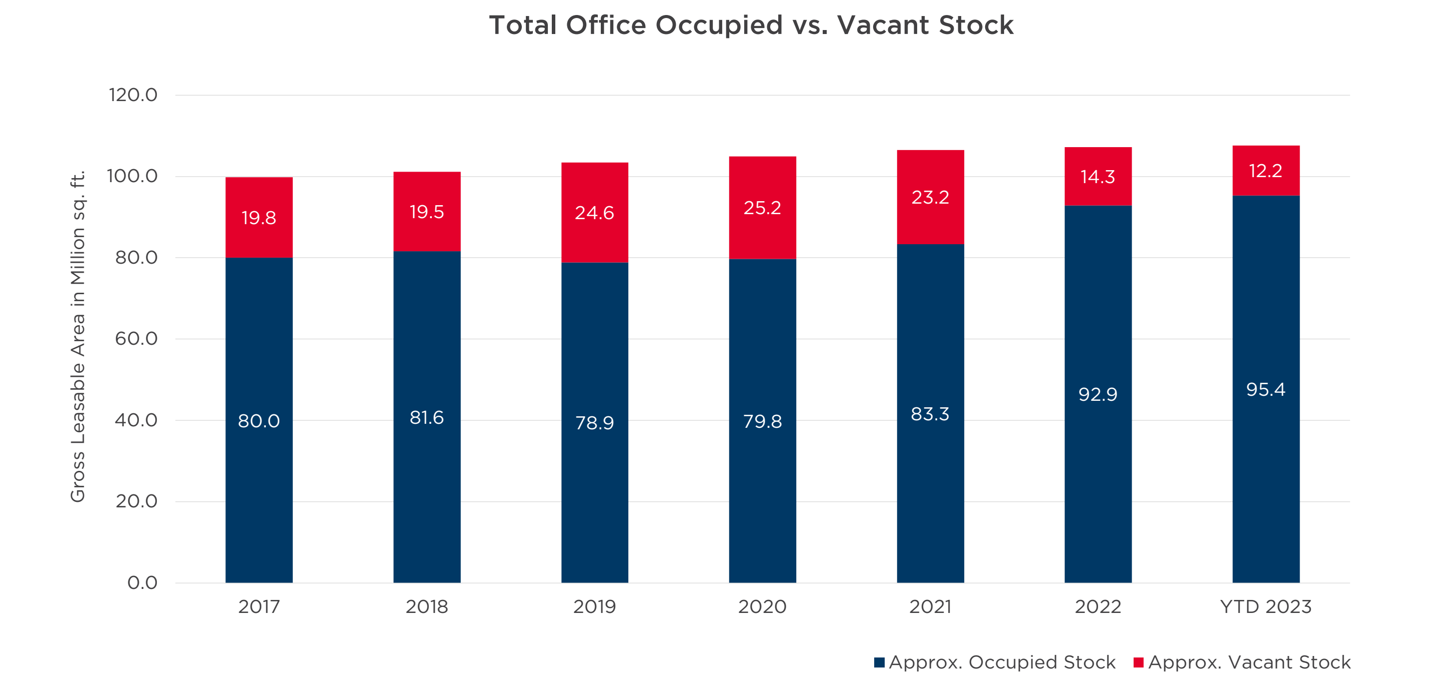
> “The surge in demand post the pandemic has resulted in over 13 Million sq. ft. of office stock being absorbed in the last three years. While 2 Million sq. ft. of pipeline stock is expected to be handed over in the next two years, with majority of the stock already pre-leased, the supply scarcity continues to exacerbate.



Source: Cushman & Wakefield Core Research

DUBAI OFFICE **OCCUPANCY**

The sharpest rise in office occupancy levels was seen in Sheikh Zayed Road (Trade Center to First Interchange) with office occupancy levels increasing from 85% to 98% year-on-year. Business Bay saw its office occupancy level reach 90% compared to 81% last year and DIFC office occupancy levels are now at 95% compared to 87% last year.



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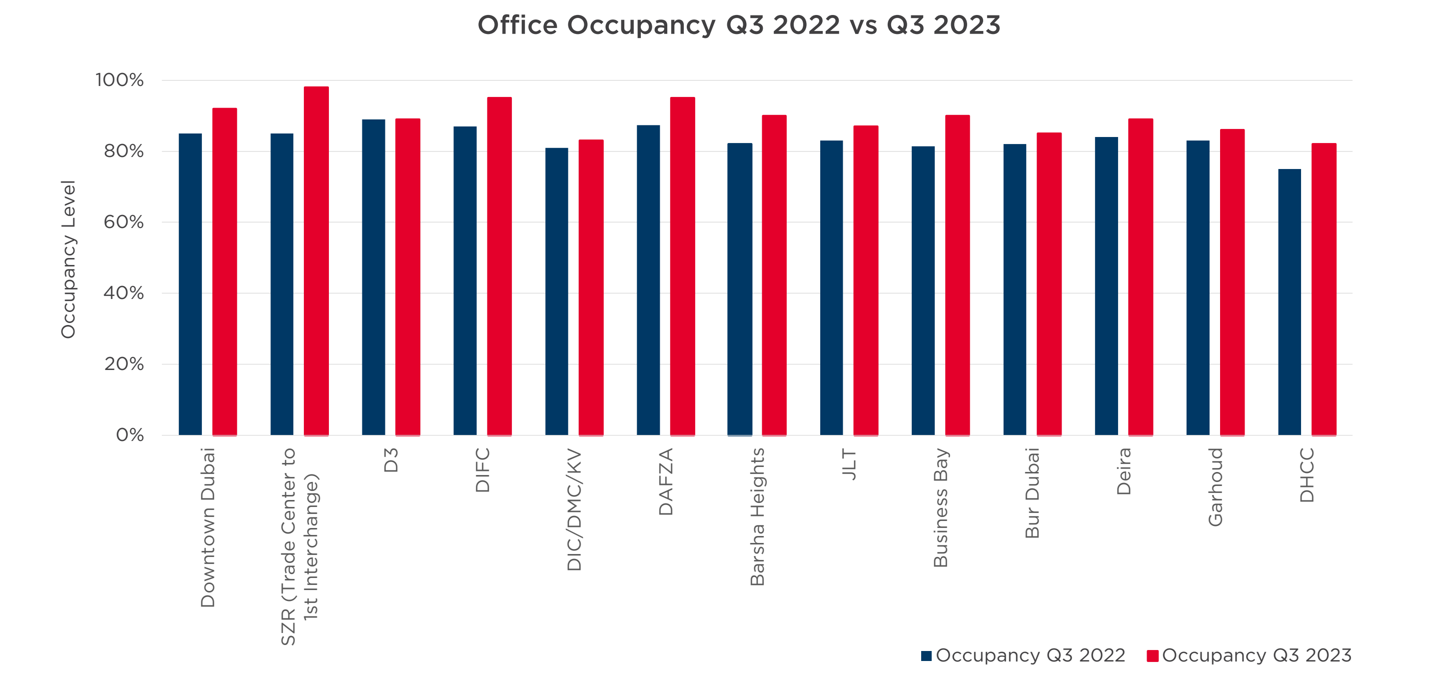


Source: Cushman & Wakefield Core Research

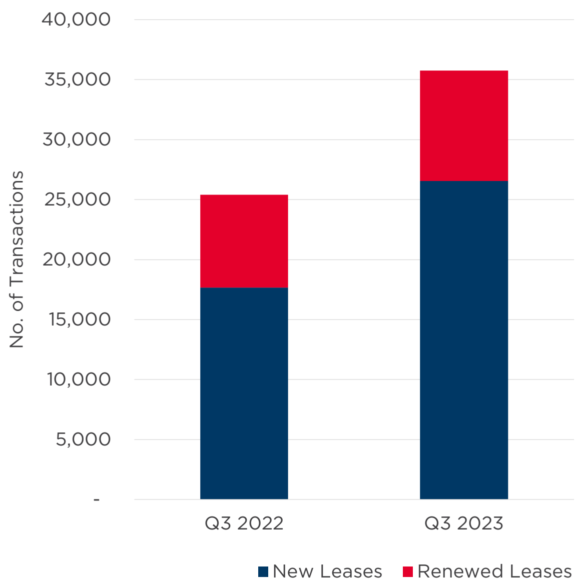
DUBAI OFFICE **DEMAND**

Business Bay recorded the highest demand accounting for 24% of office enquiries followed by Jumeirah Lake Towers at 14% and Sheikh Zayed Road at 13%. Business Bay and Jumeirah Lake Towers districts collectively account for over 30% of all Dubai office stock, the attractiveness of both districts is attributed to the higher availability of office space compared to other locations.

When analysing sector-wise demand, the financial and business services sectors continue to lead enquiries with a 24% share, followed by commodities at 16%, and the technology sector at 14%. We have seen demand almost equally split between new market entrants and existing occupiers looking to expand. The strong economic backdrop, ease of doing business and competitively priced office rents compared to other gateway cities along with Dubai's central location and overlap with multiple time zones across both western and eastern markets make it ideal for firms to house their offices here.

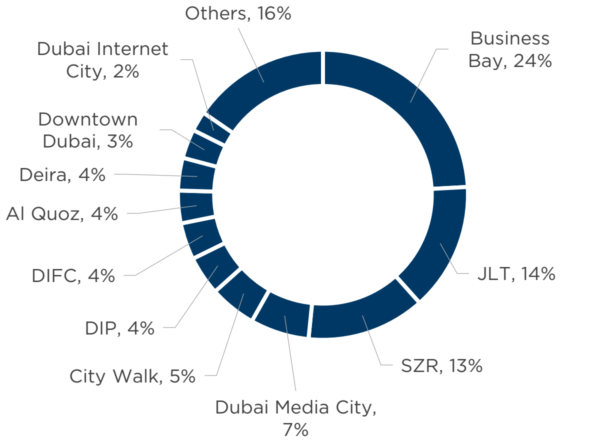
Office rental transactions reflect an increase for both new and renewed contracts by 50% and 19% respectively compared to Q3 2022. The increased levels for new contracts compared to renewed contracts reflect tenants' trends on relocations and business expansions.

Office Rental Demand

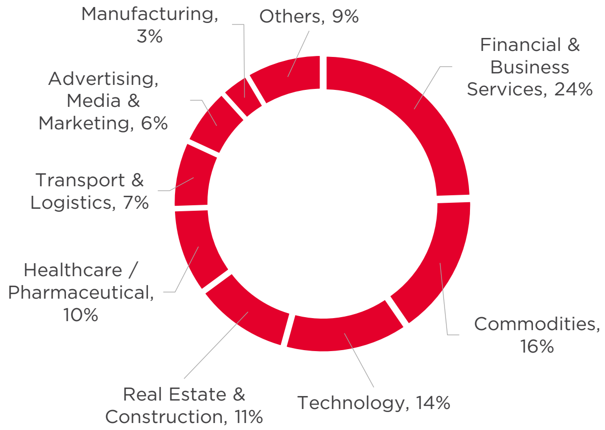


Source: Cushman & Wakefield Core Research

Office Leads by Area - Q3 2023



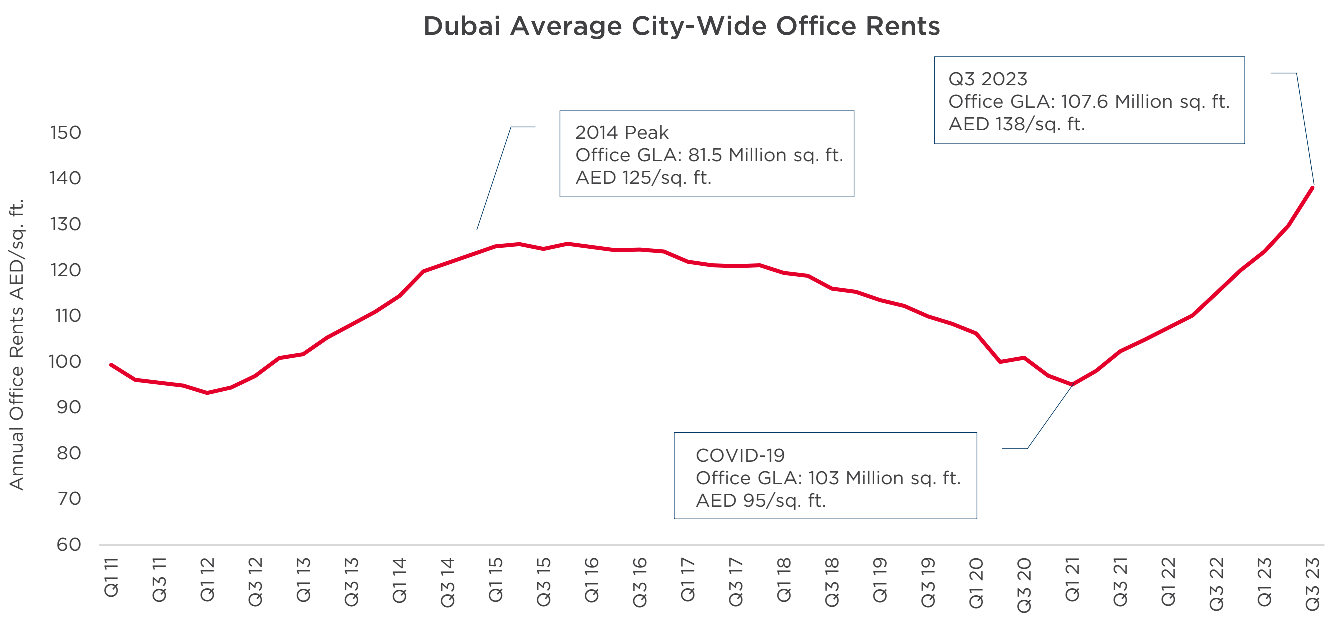
Office Demand by Sector - Q3 2023



Source: Cushman & Wakefield Core Research

DUBAI OFFICE **RENTS**

Citywide office average rents are well above the 2014 peak values, we expect this upward trajectory in rents to continue over the near term.



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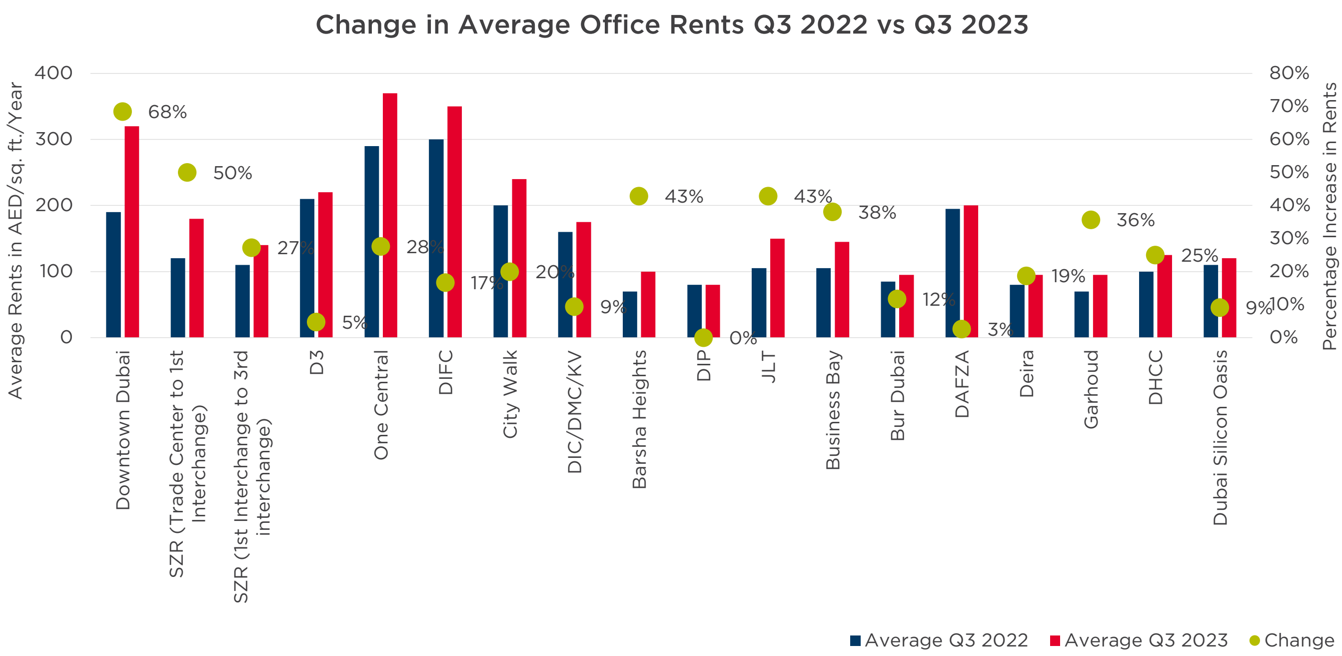


Source: Cushman & Wakefield Core Research

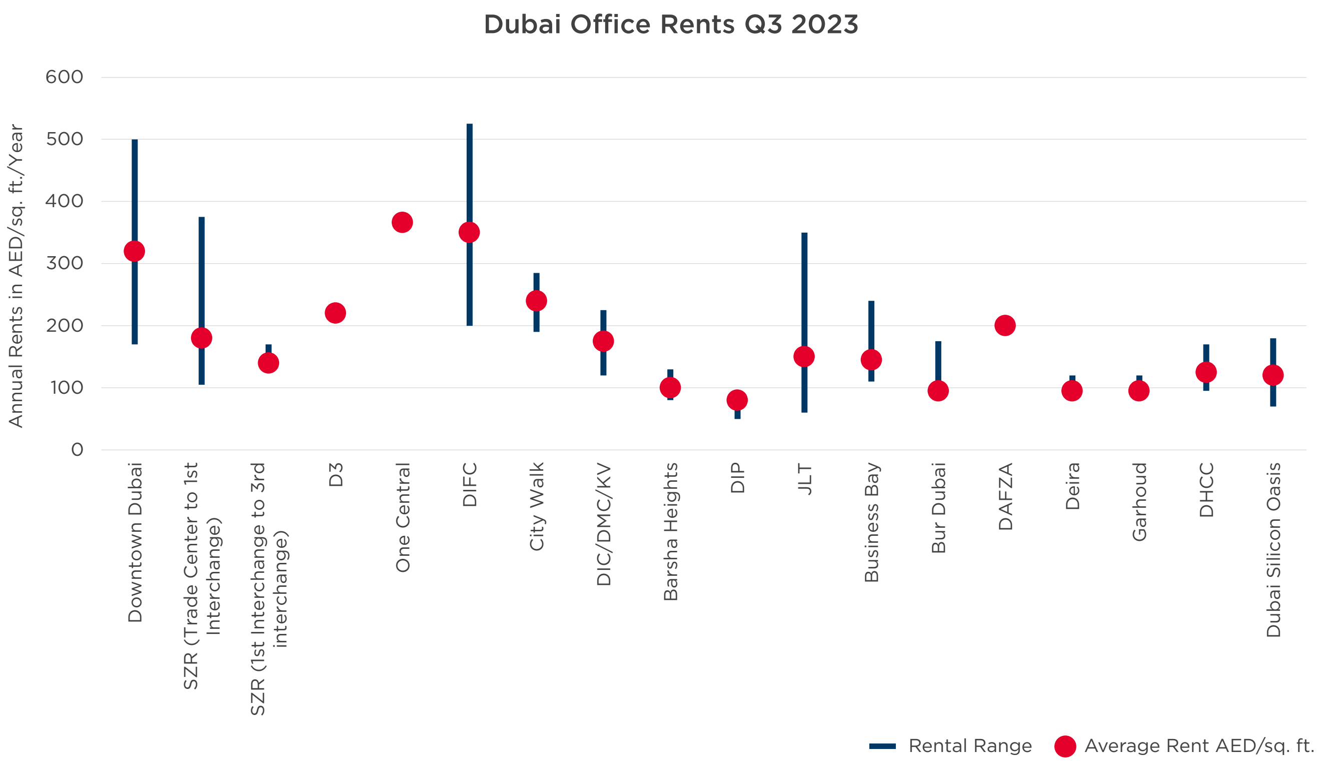
DUBAI OFFICE **RENTS**

Rising rents and occupancy levels

High demand for office space in the market, coupled with very high occupancy levels, has led to a consistent upward trend in rental prices throughout the city. Notably, Downtown Dubai witnessed a 68% increase in rental prices followed by 50% upturn in Sheikh Zayed Road (from Trade Centre to the 1st exchange).

In Q3 2023, DIFC and One Central lead the highest average office rents in the city with averages going above AED 350/sq. ft. Plug-and-play offices in ICD Brookfield Place are trading above 1,050 AED/sq. ft. In contrast, certain areas like DAFZA, Deira, and Garhoud have maintained consistent price points across their respective developments.

Driven by their sustainability mandates, international occupiers continue to gravitate towards new Grade A developments with regional and international tenants actively seeking single-owned, efficiently managed, green buildings. Although older stock is witnessing spillover demand, it is expected to face mid-to-long-term challenges as it continues to age and would require significant investments to upgrade.



Source: Cushman & Wakefield Core Research

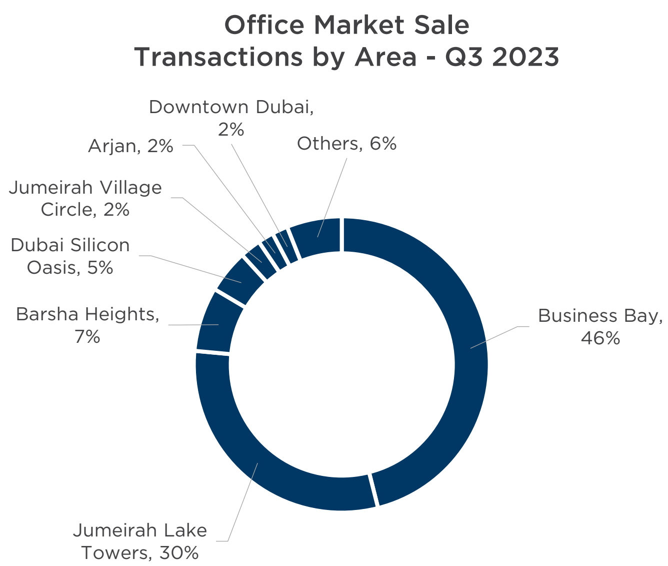
DUBAI OFFICE
SALES MARKET

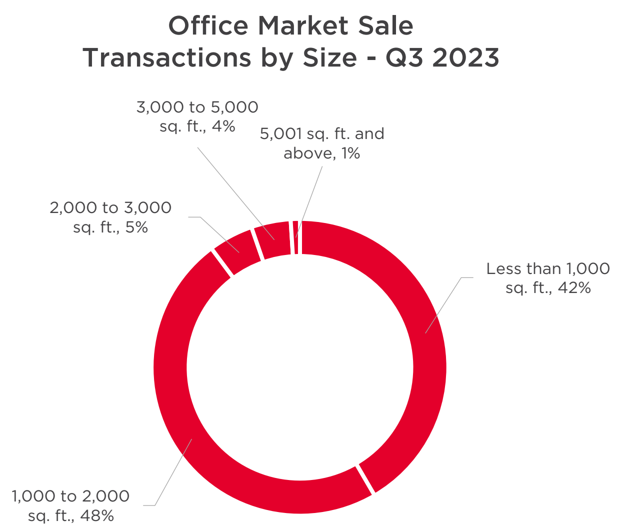
In Q3 2023, the office market experienced robust activity, with a total of more than 690 transactions and a cumulative transaction value of approximately AED 1.15 billion. This represented significant growth, marking a 19% increase in transaction volume and 44% surge in transaction value when compared to the same period in 2022.

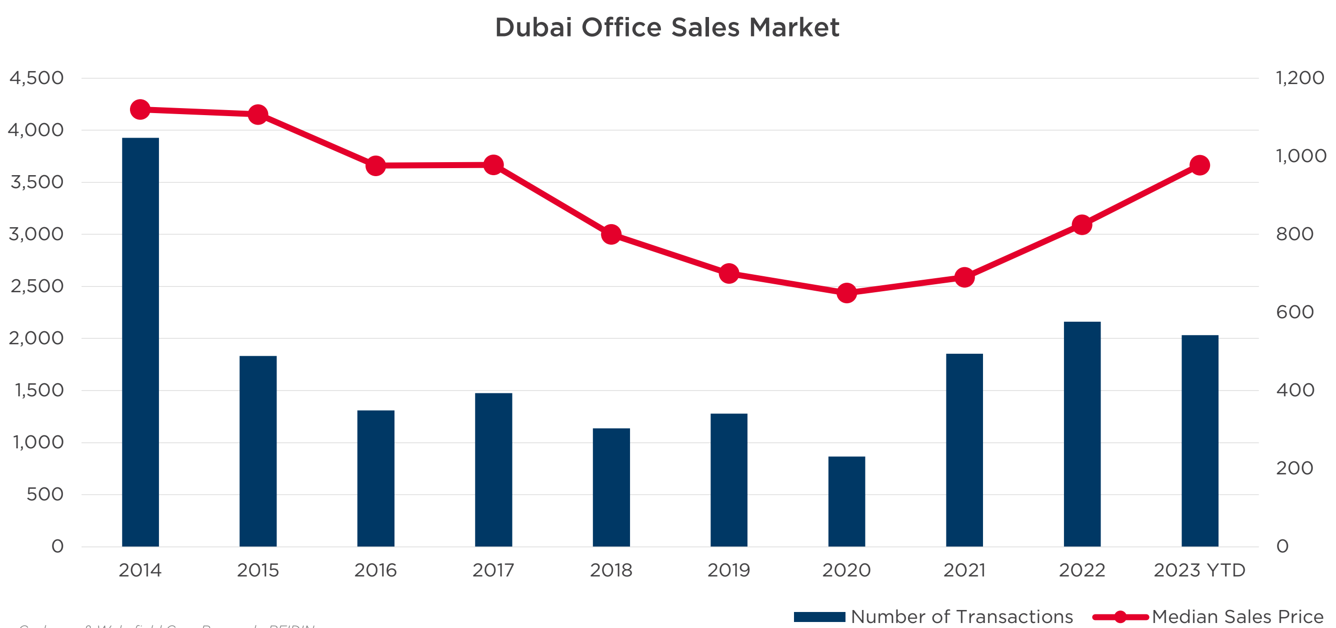
Business Bay (46%) took the lead in transaction volume, primarily driven by properties like Tamani Arts Tower, the newly constructed Polaris Tower featuring around 600 units, and Bayswater.

Closely followed by Jumeirah Lake Towers (30%) with most transaction volume occurring in Platinum Tower, Tiffany Tower, and Dome Tower.

2023 year-to-date reflects a 9% decrease in transaction volume and 18% increase in average price per sq. ft. Notably, small office units represent the highest transaction volume. Of these, 90% are comprised of units ranging from 2,000 sq. ft. and below.







Source: Cushman & Wakefield Core Research, REIDIN

DUBAI OFFICE MARKET **OUTLOOK**

Tenants are increasingly becoming aware of changing market conditions and are managing within existing premises where possible through workspace strategies and opting for hybrid working as options for spatial expansions are becoming limited. Tenants looking to expand and not being able to in existing buildings are being pushed to relocate, bringing pockets of secondary stock to the market.

On the other hand, single-owned Grade A assets are well-positioned, both in terms of headline rents and occupancy levels, and due to strong pre-leasing interest, freezones and prominent single landlords are looking at activating the next phases of their office projects. However, aging office stock is likely to face challenges in tenant retention and satisfaction.

Landlords of older buildings will be pushed to look at refurbishing their underperforming assets to enhance rental returns and align with the market and we are starting to see a few single landlords undertake building-wide refurbishments recently to upgrade their premises. We see this trend catch up amongst other prominent single-landlord-owned assets, however, strata-owned buildings are expected to struggle to upgrade their building common areas and amenities due to the lack of control on the asset.

With sustained demand from new market entrants, incumbents expanding across all sectors, and with very limited available office stock, we expect Dubai office rents to continue increasing, with another 10-20% rise expected in prime areas along with occupancy levels facing upward pressure over the next 18-24 months.

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Dubai
Market Update
Q3 2022

Dubai
Market Update
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2021/2022

Dubai
Market Update
Q3 2021

Dubai
Market Update
Q1 2021

Abu Dhabi
Market Update
2020/2021

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in approximately 400 offices and 60 countries. In 2022, the firm reported revenue of $10.1 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), Environmental, Social and Governance (ESG) and more.

Cushman & Wakefield Core is an independently owned and operated affiliate of Cushman & Wakefield, operating in the UAE since 2008.

For additional information, visit **www.cushwake.ae**

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