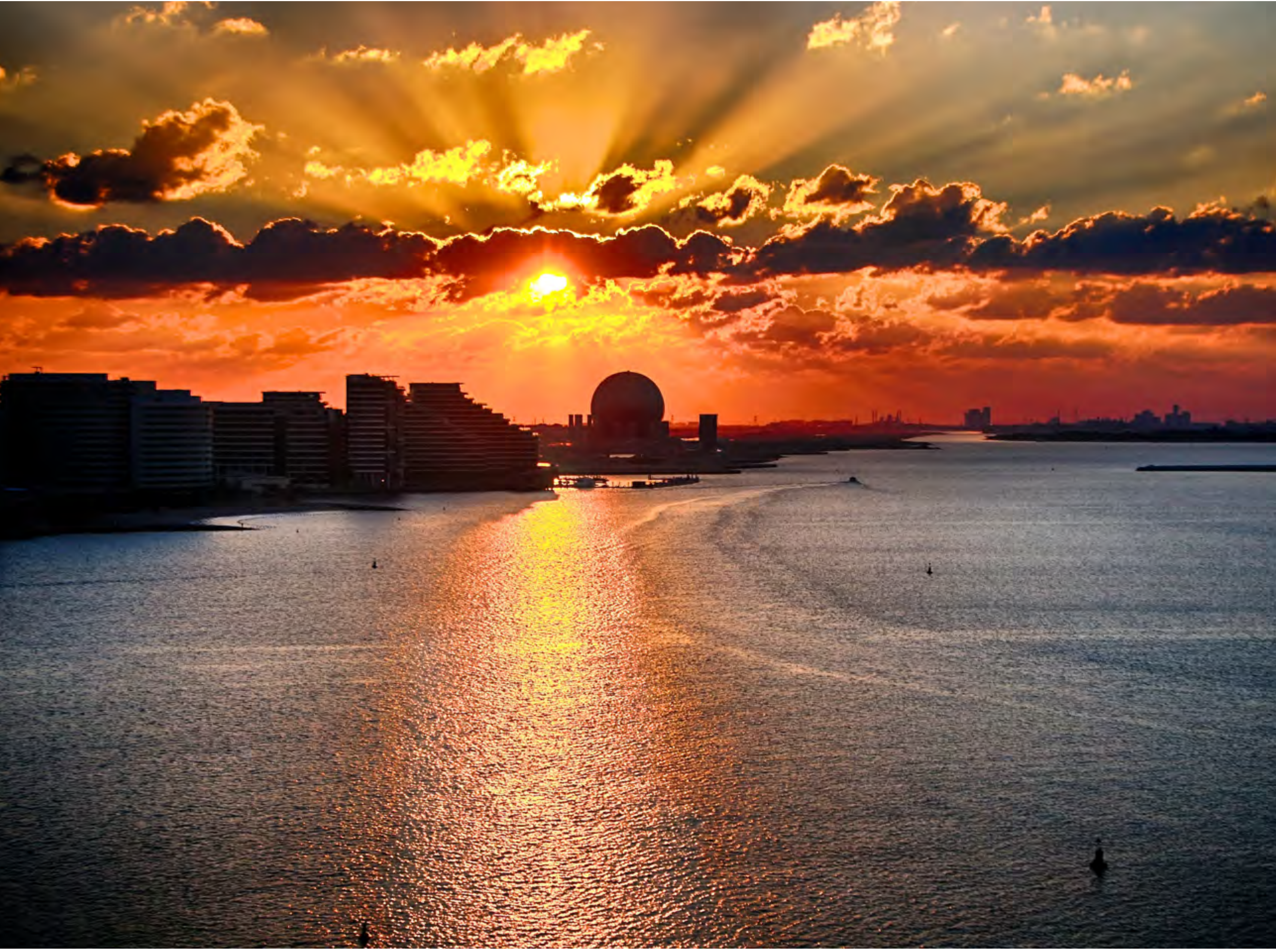

The UAE Real Estate Market overview

Research | A Year in Review 2022

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Office

Dubai

9.1m sq m GLA	100k sq m GLA	Y-o-Y 21%
Total stock	2023 planned deliveries	Average Grade A CBD rents

Abu Dhabi

3.9m sq m GLA	35k sq m GLA	Y-o-Y 8%
Total stock	2023 planned deliveries	Average Grade A rents

Last year, the stock of office space in Dubai rose by 30,000 sq. m. to reach 9.1 million sq. m. Over the same period, the addition of around 8,000 sq. m. in Abu Dhabi pushed up the capital's total stock to 3.9 million sq. m. In 2023, almost 100,000 sq. m. of office floorspace is expected to be delivered in Dubai and over 35,000 sq. m. in Abu Dhabi.

Following a prolonged downturn in Dubai office rents, the sector saw a remarkable turnaround last year. A combination of strong business conditions and tight availability of good quality office space were broadly responsible for double-digit growth in rental values, lifting them to levels previously seen in 2015. In Q4 2022, Grade A rents in Dubai's CBD increased by 21% year-on-year to an average of AED 2,100 per sq. m. per annum. Meanwhile, healthy levels of leasing activity in Abu Dhabi largely underpinned the 8% annual increase in Grade A rents to an average of AED 1,790 per sq. m. per annum.

Unsurprisingly, strengthening office demand and limited new completions translated into lower levels of availability across both cities. Vacancy rates in Dubai and Abu Dhabi fell to 11% and 23%, respectively, in Q4 2022 – albeit availability in the Grade A segment across both cities is generally very limited.

The technology, finance, defense and other professional services industries accounted for a large share of overall enquiries last year. We also noted a steady flow of new entrants into the market, pushing up aggregate occupier demand and leading to landlords offering fewer incentives.

The scarcity of well-managed, Grade A office space is causing occupiers to consider lesser buildings and locations. This presents an opportunity for owners of Grade B assets to potentially capture the "spill-over" of demand for good quality floorspace by upgrading their existing space.

Residential

Dubai

680k units	41k units	10% Y-o-Y	27% Y-o-Y
Total stock	2023 planned deliveries	Average sale prices Dec 2022	Average rental rates Dec 2022

Source: REIDIN

Abu Dhabi

279k units	6k units	3% Y-o-Y	1% Y-o-Y
Total stock	2023 planned deliveries	Average sale prices Nov 2022	Average rental rates Nov 2022

The delivery of 38,000 residential units last year pushed up Dubai's total supply to 680,000 units by Q4. In 2023, the level of scheduled completions is a little higher (41,000 units). In Abu Dhabi, the delivery of roughly 6,000 units over the past year brought the capital's residential stock to 279,000 units. A further 6,000 units are planned to be completed in 2023.

Residential transaction activity in Dubai continued to grow robustly last year. Data from Dubai Pulse shows that transaction volumes in the emirate were up 51% between January and November 2022. On the same basis, the value of transactions rose by 55%. Anecdotal evidence suggests that this jump is largely due to a spike in demand from foreign buyers.

In annual terms, average residential sales prices were up 10% and 3% in Dubai and Abu Dhabi, respectively, in Q4 2022. Rents in Dubai grew by 27% over the same period, but were more or less flat in the capital.

The outperformance of the residential sector once again shines a spotlight on Dubai's relative safe haven status when many other parts of the world are grappling with geopolitical and economic challenges. The strong residential activity is also partly attributable to prices continuing to look attractive compared with other major cities around the globe.

On the back of increased demand, the pipeline of projects announced by developers in 2022 grew and comprised around 27,000 units; these will be delivered over the coming years. It's worth noting, however, that investors and end-users are generally making more informed decisions and therefore are being more selective when considering which properties to purchase. This highlights the need for developers to differentiate their product from competitors and to deliver units to a better standard.

Retail

Dubai

4.6m sq m GLA
Total stock

355k sq m GLA
2023 planned deliveries

Y-o-Y **-1%**
Average rental rates across primary and secondary malls

Abu Dhabi

2.9m sq m GLA
Total stock

232k sq m GLA
2023 planned deliveries

Y-o-Y **0%**
Average rental rates across primary and secondary malls

The delivery of around 200,000 sq. m. of retail floorspace last year raised Dubai's total stock to 4.63 million sq. m. In 2023, about 355,000 sq. m of space is scheduled to be delivered across the city – the majority of which is expected to be accounted for by a new super-regional mall and the expansion of two existing ones in the same category. Abu Dhabi's retail stock was unchanged at 2.89 million sq. m. last year but is anticipated to increase by 232,000 sq. m. in 2023.

After trending down in recent years, rents have broadly stabilised across both cities. In the final quarter of last year, average rental values across primary & secondary malls in Abu Dhabi were flat when compared with the corresponding part of 2021 while rents in Dubai edged down (by 1%). However, it is important to note that well-located super regional malls have been benefitting from returning tourists, which in turn helped underpin the growth in rents for this segment within the retail sector. Indeed, average rents for super regional malls in Dubai rose by 3% year-on-year in Q4, when compared with the corresponding period of last year.

Owners of retail assets and franchise operators remain focused on bringing unique entertainment concepts to drive footfall. What's more, landlords have been offering favourable lease terms and incentives to attract new international brands, especially in the F&B segment.

The sustained growth of online shopping means that retailers are strengthening their digital presence to bolster revenues in an increasingly competitive environment. Although snarled supply chains and inflationary pressures were highlighted as key headwinds by market players last year, there were signs of easing in the second half.

Hospitality

Dubai

148k keys
Total stock

13k keys
2023 planned deliveries

YT Nov 2022

	YT Nov 2022
Occupancy Rate	72%
ADR's	USD184
RevPar's	USD132

Source: STR Global

Abu Dhabi

32k keys
Total stock

400 keys
2023 planned deliveries

	YT Nov 2022
Occupancy Rate	69%
ADR's	USD119
RevPar's	USD82

Source: STR Global

Dubai's hotel stock rose to 148,000 with the completion of around 6,800 keys in 2022, with the majority of deliveries comprising 4 & 5-star properties. In 2023, approximately 13,000 keys are scheduled to be added. In Abu Dhabi, the addition of 600 keys raised the total supply of hotel & hotel apartment keys to over 32,000 keys. Over the coming year, an additional 400 keys are due to be delivered in the capital.

Rebounding tourism has underpinned the growth in Dubai's hotel sector, with data from Dubai Economy and Tourism (DET) showing that the emirate welcomed 12.82 million overnight visitors between January and November 2022. This figure was up substantially compared to the corresponding period of 2021 (6.02 million) but is still around 15% below pre-pandemic levels (the outturn for January-November 2019 was 15 million). Other data from DET shows that, whilst visitors from the top 10 source markets are broadly approaching pre-pandemic levels, China was a notable exception in the first 11 months of 2022. This is attributable to the country's zero-COVID policy, though the recent loosening of rules should provide a boost to tourist numbers going forward.

The occupancy rate for Dubai's hotels climbed to 72% over January-November 2022, a strong improvement compared to the same part of last year (63%). On the same basis, the city's average daily rate (ADR) rose by 22% year-on-year to USD 184. Meanwhile, Abu Dhabi's occupancy rate climbed to 69% in the first 11 months of last year (up from 66% in the corresponding part of 2021) and ADR jumped by 29% to USD 119.

Lastly, a number of hotels in both Dubai and Abu Dhabi reported full occupancy towards the end of last year as demand rocketed on the back off the Formula 1 event in the UAE's capital and the FIFA World Cup in Doha.

Definitions and methodology

Future Supply
JLL estimates of future supply is updated on a quarterly basis and is based on primary research (physical inspections) and secondary research (discussions with developers). The future supply is reflective of projects actively under construction. It excludes projects that have been announced, where ground works have not started. We remain cautious of the ability of some projects to meet their stated completion deadlines, with significant delays in project delivery leading to a low materialization rate.

Office

Supply
The current supply of completed office GLA is based on a comprehensive list of office buildings that have been handed over for immediate occupation. This includes standalone office buildings and office space within mixed-use buildings. Our project list excludes government owned and wholly occupied buildings.

Performance
The weighted average rent (WAR) is based on estimates from the JLL Offices and Business Space team. It reflects the WAR across a basket of Grade A buildings in the CBD which includes the DIFC.
Grade A buildings are defined as high quality office spaces, well located, with good access to infrastructure (metro) and amenities including F& B and retail.
The WAR of Grade A buildings represents the top open-market, net rent (exclusive of service charge and incentives) for a new lease that could be expected for a notional office unit.

Residential

Supply
The current supply of completed residential buildings is based on quarterly surveys of the entire Abu Dhabi and Dubai metropolitan areas. It is reflecting residential units that have been handed over for immediate occupation. Our project list excludes labor accommodation and local Emirati housing. Our definition of residential units includes apartments, villas, and townhouses.

Performance
Data on residential performance in Dubai is based on the **REIDIN monthly index.** The REIDIN Residential Property Price Indices (RPPIs) uses a monthly sample of offered/asked listing price and rental data and transaction data.

Data on residential performance in Abu Dhabi is based on **a basket of buildings.**

Retail

Supply
The classification of retail centers is based on the **Urban Land Institute (ULI)** definition and based on their **Gross Leasable Area (GLA)**:

Super Regional Malls have a GLA of above 90,000 sq m
Regional Malls have a GLA of 30,000 - 90,000 sq m
Community Malls have a GLA of 10,000 - 30,000 sq m
Neighborhood Malls have a GLA of 3,000 - 10,000 sq m
Convenience Malls have a GLA of less than 3,000 sq m

The current supply of completed retail GLA is based on a comprehensive list of mall-based retail that have been handed over for immediate occupation. Our project list excludes street retail and retail within mixed-use buildings.

Performance
Average rents are based on estimates from the JLL Retail team. It reflects the rents across a basket of primary and secondary retail centers.
Primary and secondary retail centers are identified based on their turnover levels. **Primary Malls** are the best performing malls with highest levels of turnover. **Secondary Malls** are the average performing malls with lower levels of turnover.
Average rents represent the top open market net rent expected for a standard in line unit shop of 100 sq m in a basket of regional and super regional centers. Given the variation in rentals, we quote percentage change for retail rents rather than actual figures.

Hotels

Supply
The current supply of hotel rooms is based on data from our quarterly surveys, reflecting hotel rooms that have been handed over for immediate occupation. Our project list includes all graded supply and includes serviced apartments.

Performance
STR performance data is based on a monthly survey conducted by **STR Global** on a sample of international standard midscale and upscale hotels. **Average Daily Rates (ADR)** and **Revenue Per Available Room (Rev Par)** are the key performance metrics.

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