The UAE Real Estate Market overview

Research | Q1 2023

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Office

Dubai

9.1m sq m GLA
Total stock

100k sq m GLA
2023 planned deliveries

Y-o-Y **16%**
Average Grade A CBD rents

Abu Dhabi

3.9m sq m GLA
Total stock

35k sq m GLA
2023 planned deliveries

Y-o-Y **9%**
Average Grade A rents

There were no notable office completions across both the cities in Q1 2023, keeping the stock stable at 9.1 million sq. m. in Dubai and 3.9 million sq. m. in Abu Dhabi. Over the next three quarters, approximately 100,000 sq. m. of office space is scheduled to be delivered in Dubai and 35,000 sq. m. in the capital.

Building upon the strong momentum of last year, the UAE office market continued to perform strongly with robust demand for high quality Grade A spaces that can provide a healthy, vibrant and experience driven environment. As a result, in the first quarter, average Grade A rents in Dubai's CBD rose by 16% year-on-year (Y-o-Y) to AED 2,140 per sq. m. per annum. Similarly in Abu Dhabi, a combination of high demand and limited stock for quality space pushed Grade A rents up by 9% Y-o-Y to an average of AED 1,800 per sq. m. per annum.

Strong demand has led to fast absorption of available space within the central business district (CBD) in Dubai. Indeed, the average vacancy across the CBD dropped to 11% in the first three months of 2023. During the same period, city-wide vacancy in the capital reached 23%.

In a bid to encourage employees back to the office and recruit and retain the best talent, a lot of corporates are looking to upgrade their real estate with increased focus on sustainability and wellness. Significant growth was recorded in enquiries from new market entrants and a strong demand for flexible offices.

Occupiers looking for high quality office spaces are expected to continue to face competition, with landlords less likely to negotiate rates and CAPEX (capital expenditure) contributions.

Residential

Dubai

690k units
Total stock

32k units
2023 planned deliveries

12% Y-o-Y
Average sale prices Feb 2023

28% Y-o-Y
Average rental rates Feb 2023

Source: REIDIN

Abu Dhabi

281k units
Total stock

4k units
2023 planned deliveries

1% Y-o-Y
Average sale prices

1% Y-o-Y
Average rental rates

Dubai's residential supply increased by 9,800 units in the first quarter, pushing total stock to 690,000 units. In the remaining months of this year, an additional 32,000 units are scheduled to be delivered. In the capital, around 1,800 units were added, bringing the total residential stock to 281,000 units. In terms of upcoming supply, Abu Dhabi has an additional 4,000 units in the pipeline for this year.

In Dubai during the pandemic and subsequent years, majority of investors sought out existing properties as a safer investment option. However, on the back of new launches late last year, off-plan sales transactions started recovery in Q3 2022. This trend has continued for the third consecutive quarter, where off-plan transactions outperformed existing properties in terms of value and volume, representing 56% of total value and 59% of total volume. This strongly suggests that both developer and investor confidence has returned to the off-plan market.

Similarly in Abu Dhabi, off-plan transactions have also been leading the market since the second half of last year, supported by the number of new projects launches. According to data from Quanta, off-plan property transactions accounted for around 74% of the value of total residential sales. The continued development of the new islands has put pressure on prices of outdated projects on the main island, as residents preferred to relocate to new developments located on the new islands offering modern amenities. Consequently, average city-wide sale prices and rental rates increased modestly by 1% each in Q1 2023, when compared to the same period last year..

Looking at the residential market performance, in annual terms, rents in Dubai increased by 28% in February 2023. Demand for large units especially for villas continue to push up rents. Furthermore, in Q1 2023, 52% increase in value and 50% in volume of residential sales activity compared to the same quarter last year has impacted sales prices, noting a 12% Y-o-Y increase for the same period.

Retail

Dubai

4.7m sq m GLA
Total stock

194k sq m GLA
2023 planned deliveries

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

Abu Dhabi

3.11m sq m GLA
Total stock

19k sq m GLA
2023 planned deliveries

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

Around 34,000 sq. m. of retail space was added in Dubai in the form of community retail developments, raising the total stock to around 4.7 million sq. m. in the first quarter of 2023. Over the same period, Abu Dhabi witnessed the delivery of a super regional and community retail development totaling 212,000 sq. m. of retail GLA (Gross Leasable Area). This subsequently pushed Abu Dhabi's total stock to 3.11 million sq. m. In the remaining months of this year, around 213,000 sq. m. of retail space is scheduled to be delivered in both the emirates combined. Of this, approximately 194,000 sq. m. is expected in Dubai and 19,000 sq. m. in the capital.

In Dubai, the performance of well-located primary malls was better in comparison to the overall market in Q1 2023. Indeed, the average rents for primary malls increased by 1% Y-o-Y in the first quarter of 2023. While the city-wide average rents for primary and secondary malls decreased by 1% Y-o-Y, for the same period. That said, landlords are tightening lease terms with tenants, moving away from previous revenue share models and offering little CAPEX support unless in highly exceptional cases. To capture additional revenue, malls with near full occupancy are restructuring space to accommodate more tenants. Some are dividing large anchor stores as well as utilizing other common areas to lease out additional space.

In the capital, average rents remained stable in annual terms in the first three months of 2023. Additionally, landlords are more flexible in comparison to Dubai and are offering incentives to attract and retain tenants. Moreover, depending upon the brand, property managers are able to negotiate offers on revenue-based deals and extended fit out periods.

Hospitality

Dubai

150k keys
Total stock

8k keys
2023 planned deliveries

YT Feb 2023	
Occupancy Rate	84%
ADR's	USD216
RevPar's	USD182

Source: STR Global

Abu Dhabi

32.5k keys
Total stock

200 keys
2023 planned deliveries

YT Feb 2023	
Occupancy Rate	75%
ADR's	USD155
RevPar's	USD116

Source: STR Global

With the delivery of around 2,000 keys, Dubai's hotel stock climbed to 150,000 keys in Q1 2023. For the remainder of the year, around 8,000 keys are scheduled to be delivered. Comparatively Abu Dhabi's hotel supply completions were limited, delivering around 200 keys to bring the total stock to 32,500 keys. Future supply pipeline for the year remains modest at approximately 200 keys in the capital.

In the first two months of the year, Dubai welcomed over 3.1 million tourists, up by 42% compared to the previous year. With the top three source markets being Indians, Russians and Omani nationals. The growing number of tourists has positively impacted lower and mid-tier segments. As a result, these segments recorded positive gains of 7-8 basis points (bps) in occupancy and 15% in RevPAR (revenue per available room) for YT February 2023, when compared to the same period last year.

Operators recorded strong performance supported by events organised in Q1, such as Gulfood in Dubai and IDEX in Abu Dhabi. As a result, occupancy rate in Dubai jumped to 84% for the first two months, up from 77% recorded for the same period last year. Average daily rate (ADR) did marginally drop by 2% but ultimately yielded a healthy RevPAR of USD 182. In Abu Dhabi, whilst occupancy rate remained stable at 75%, ADR and RevPAR surged by 44% to reach USD 155 and USD 116, respectively.

With the continuous growth in tourist numbers and a well-planned calendar of events throughout the year to cater to various segments of the market, the hospitality industry is expected to sustain its growth in the UAE. However, applying effective revenue management strategies to boost topline revenue will be essential to operators, especially those in the luxury segment.

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.

SEE A BRIGHTER WAY

Dubai

Unit 1, Level 13,
ICD Brookfield Place
Dubai International Financial Centre (DIFC)
PO Box 214029, Dubai, UAE

Tel: +971 4 426 6999
Fax: +971 4 365 3260

Abu Dhabi

Abu Dhabi Trade Centre Building
Office No. 3, Tourist Club Area
PO Box 36788 Abu Dhabi, UAE

Tel: +971 2 443 7772
Fax: +971 2 443 7762

With other MEA offices in:
Riyadh, Jeddah, Al Khobar, Cairo, Casablanca, Johannesburg and Nairobi.

For questions and enquiries, please contact:

Faraz Ahmed
Associate, Research, MENA
faraz.ahmed@jll.com

Muhammad Aijaz
Manager, Research, MENA
muhammad.aijaz@jll.com

Sara Alameddine
Manager, MENA
sara.alameddine@jll.com

www.jll-mena.com