CUSHMAN & WAKEFIELD | CORE

DUBAI ANNUAL MARKET UPDATE

2023/2024

2023
MACRO TRENDS

Residential Market Trends

- **Residential Supply:** With over 39,400 units, 2023 saw the highest level of supply handovers since 2020. 83% of all 2023 handovers were apartments while villas formed the remaining 17%.
- **Project Launches:** In 2023, new apartment project launches saw a 78% year-on-year increase while new villa project launches saw a 31% decrease.
- **Transaction Volumes:** While transaction volumes are at an all-time high, the pace of increase has moderated over 2023 compared to the sharp spikes seen in 2022. The off-plan market saw a 32% year-on-year increase while the secondary market saw a 17% increase in the number of transactions.
- **Sales Price:** At over 20%, 2023 witnessed the sharpest year-on-year sales price rise while 2022 saw a relatively lower annual increase of 11%.
- **Rents:** Although residential rents continue to rise, the pace is slowing down. City-wide rents in 2023 saw a 19% year-on-year increase compared to 27% in 2022.
- **Gross Yields:** 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

- **Office Supply:** Only 1.65 million sq. ft. of office space is expected to be handed over in 2024, most of which is pre-leased.
- **Occupancy Levels:** The office market is witnessing occupancy levels at an all-time high. City-wide office occupancy is at 89% and Grade A office occupancy is at 92%.
- **Absorption:** 13 Million sq. ft. of office stock has been absorbed in the last three years.
- **Rents:** City-wide office rents increased by 21% year-on-year and are 16% above 2014 peak values. Offices at One Central at 46%, Downtown Dubai at 45% and Business Bay at 36%, saw the highest annual office rental increases while ICD Brookfield Place in DIFC, has the highest office rental rates in Dubai.
- **Sales Prices:** The office sales market saw a 24% year-on-year surge in transaction volumes along with a 23% increase in median sales prices, albeit still below the peak values of 2014 in both transaction volumes and sales prices.

Residential Market Snapshot

2023

820,172
Total residential units in Dubai as of 2023

39,400
Units handed over in 2023

17%
Of all units handed over in 2023 were villa units

83%
Of all units handed over in 2023 were apartment units

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

19%
Year-on-year rise in city-wide residential rents

5.5%
Gross villa yield

7.3%
Gross apartment yield

RESIDENTIAL **SUPPLY**

Dubai saw over 39,400 units handed over in 2023, in line with our forecast earlier this year. This is the highest number of handovers witnessed since 2020. Apartments comprised over 83% of all 2023 deliveries while villas formed 17%. The low levels of new villa handovers are expected to continue applying upward pressure on villa sales prices and rents.

Looking at delivery by districts, Meydan One situated in Mohammed Bin Rashid District saw over 5,556 units delivered and accounted for the highest share of handovers in a district in 2023. Both Downtown Dubai and Business Bay saw over 3,900 units handed over in 2023.

Major apartment deliveries in 2023 were Aykon City in Business Bay, The Address Residences Dubai Opera in Downtown Dubai and Surf at Creek Beach at Dubai Creek Harbour.

Notable villa projects handed over in 2023 include Elan in Tilal Al Ghaf, Cherrywoods in Dubai Land, and Joy Townhouses in Arabian Ranches 3.

Emaar led supply handovers comprising 26% of all handovers in 2023, while Azizi at 15% overtook Damac at 8% which had been the second largest developer by handovers in the recent years.

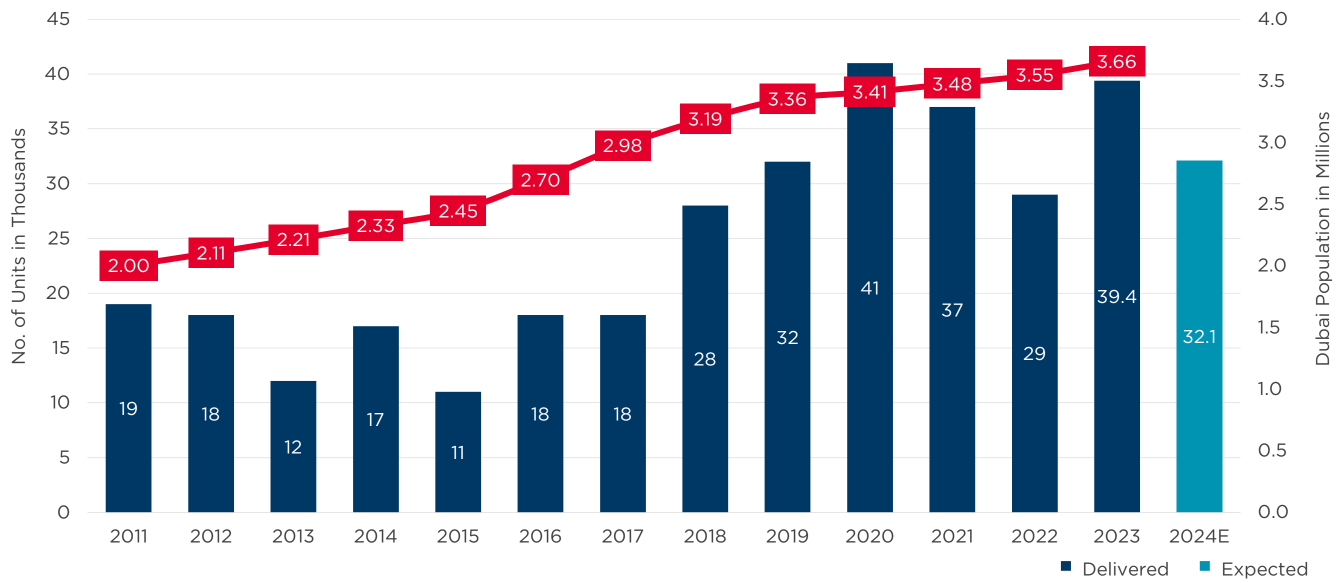
In 2024, while there are over 65,000 units slated for handover, our conservative estimates for 2024 are at around 32,000 units of which 76% are expected to be apartments and 24% villas. Nearly 12% of these handovers are expected in Meydan One followed by Business Bay (10%) and Downtown Dubai (6%).

Population growth vs. new deliveries

As per KHDA, 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. Dubai is continuing to witness strong population growth with an addition of 100,240 residents in 2023, and as per Dubai Statistics Center, Dubai currently has over 3.65 million residents.

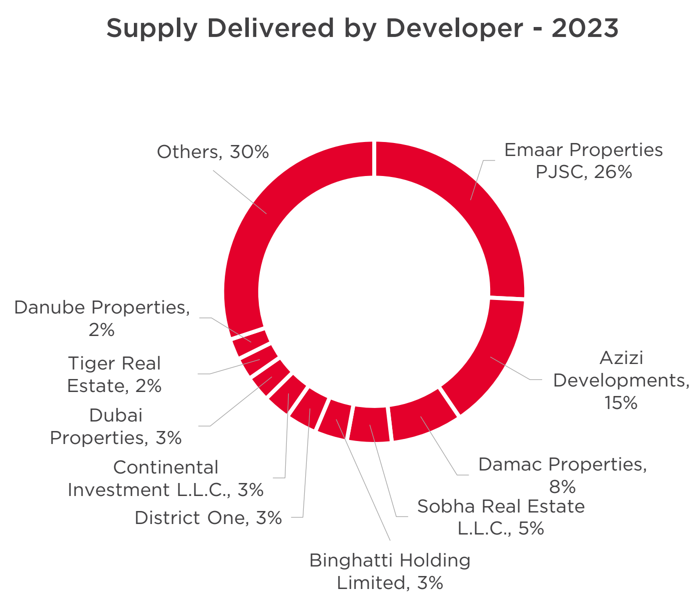
With the 2040 Dubai Urban Master Plan, the city's resident population is expected to increase to 5.8 million by 2040. That reflects an increase of over 2.15 million residents in the next 17 years. With an approx. household size of 4.2, Dubai would need nearly 30,000 residential units consistently every year until 2040 to cater to this growing population.

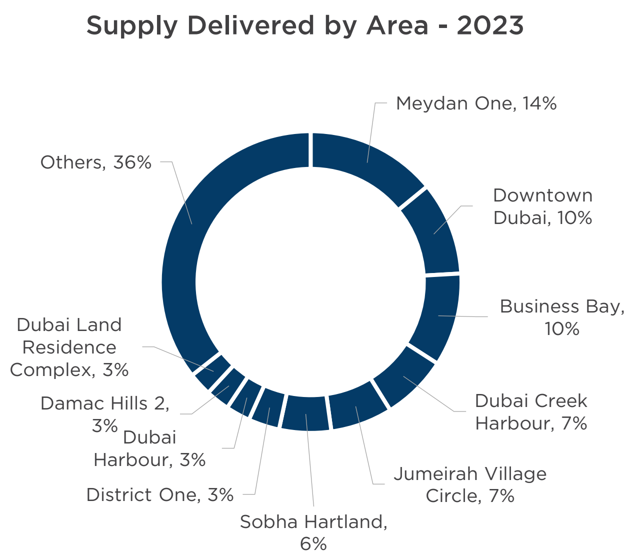
Residential Deliveries in Dubai 2011 - 2023

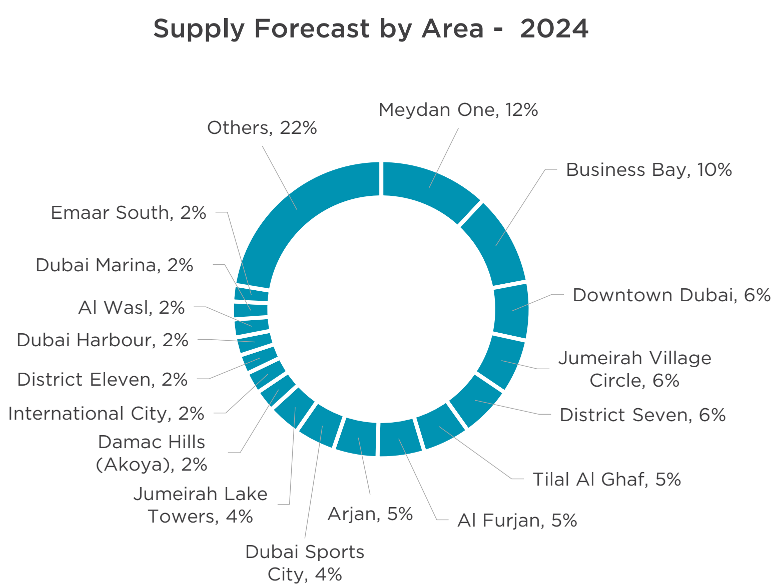


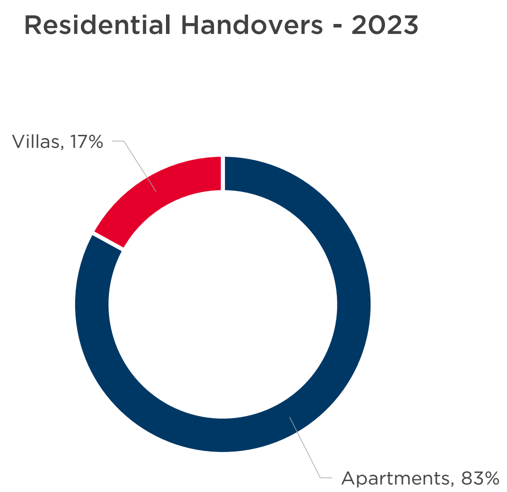
Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL **SUPPLY**







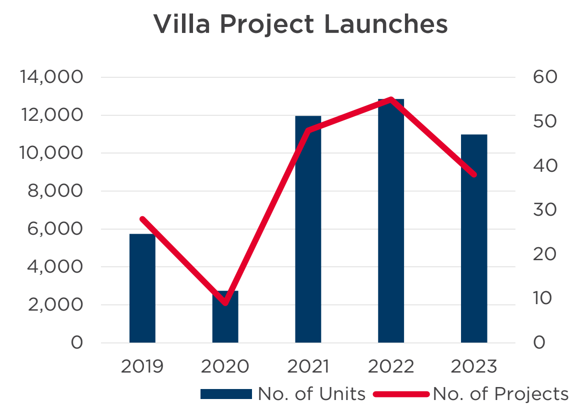


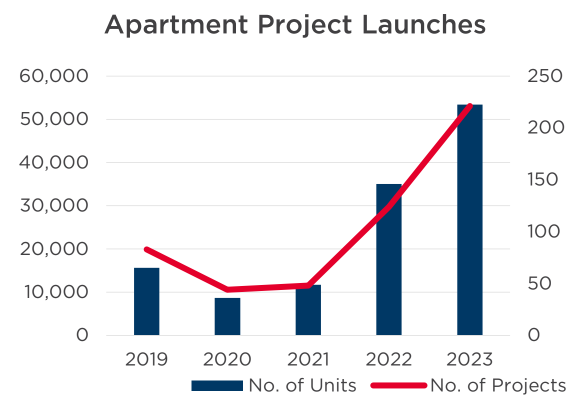
Source: Cushman & Wakefield Core Research, REIDIN

PROJECT LAUNCHES

Despite the growing demand for villas, developers are slower to respond to this surge. In 2023, the number of new villa project launches was significantly lower, with a decrease of approximately 31% compared to 2022. As a result, limited supply of new villas is exerting additional upward pressure on villa sales prices and rental rates. On the other hand, the apartment market is experiencing a substantial uptick, witnessing a 78% increase in new apartment launches during 2023 compared to 2022. Due to relatively lower ticket sizes and higher development returns, the majority of developers are directing their focus toward the mainstream apartment market.

Notable announcements during 2023 in the villa market include The Reportage Village by Reportage Properties in Rukan (Dubai Land), Haven by Aldar in Dubai Land, Nas Gardens by Meraas, Azizi Venice by Azizi in Dubai South and Expo City Valley by Expo City and, in the apartment market, Sportz by Danube in Dubai Sports City, Sobha Creek Vista Heights by Sobha Real Estate in Sobha Hartland and ultra-prime luxury apartments Como Residences and Orla by Omniyat, both on the Palm Jumeirah.



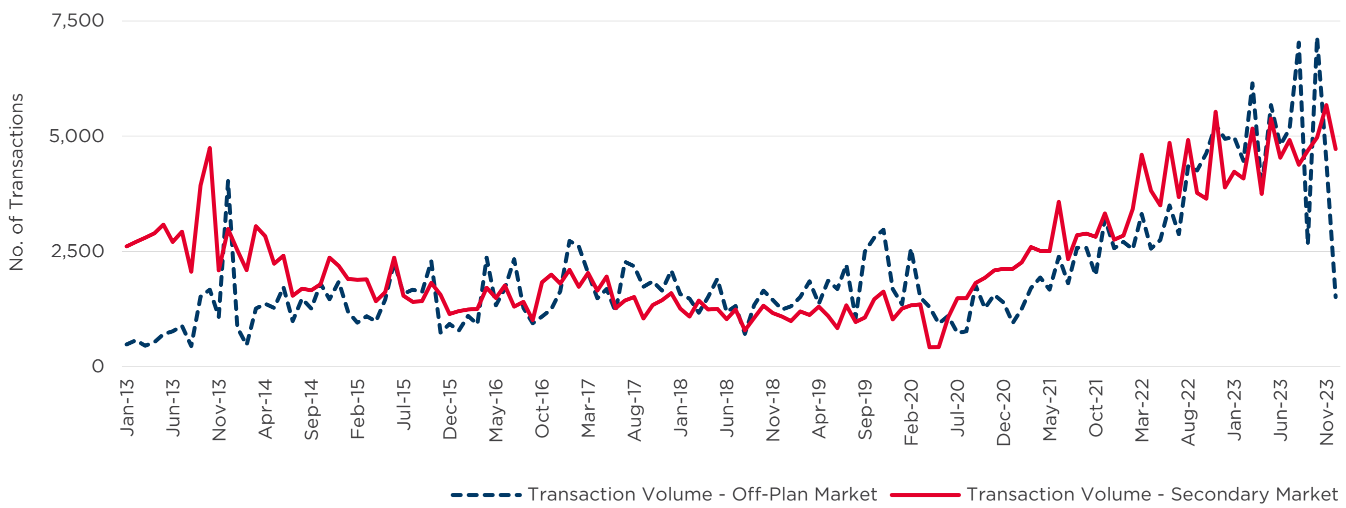


Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL **TRANSACTIONS**

> 2023 continued to see an upward trajectory in sales transactions with the highest-ever secondary and off-plan market transactions recorded both in terms of volumes and values transacted.

Dubai Market Transactions Trends

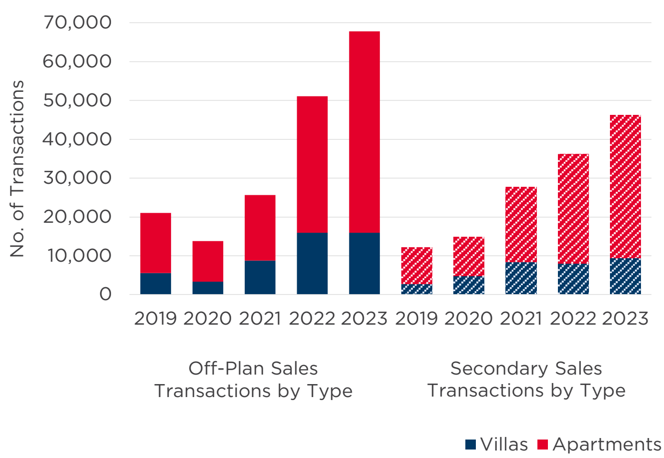


Source: Cushman & Wakefield Core Research, REIDIN

The off-plan market saw a 32% year-on-year increase while the secondary market saw 17%. It is interesting to note that while transaction volumes are up, the pace of increase has moderated over 2023 compared to the sharp spikes seen in 2022. Over H2 2023, secondary market transaction volumes have stabilized while off-plan volumes have fluctuated sharply based on the prominent project launches. Many demand drivers have collectively led to this record performance including tax regulations, business confidence, visa and social reforms, and Dubai's demonstrated position as a leading business and tourism destination. While deterrents such as interest rate hikes and inflationary pressures remain, it hasn't dampened the demand for Dubai's real estate market for both end-users and investors.

Furthermore, we are witnessing a rising number of tenants becoming end-user occupiers as rents continue to see sharper increases compared to sales prices.

Residential Sales Transactions Trends

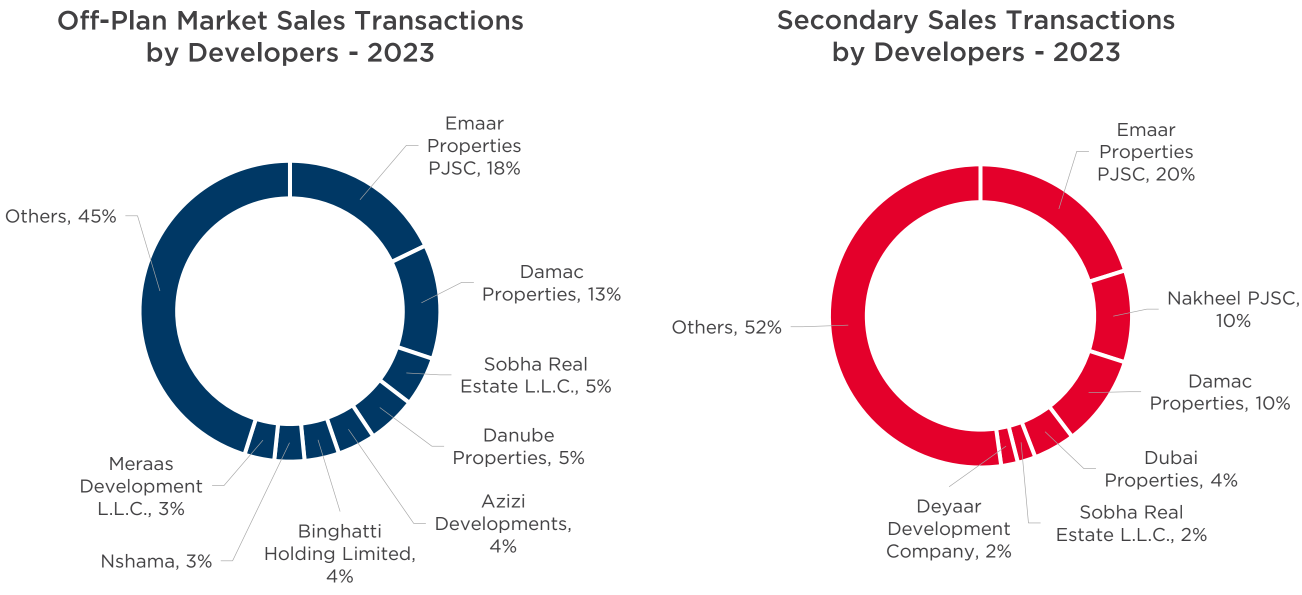


Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL **TRANSACTIONS**

In 2023, off-plan sales transaction volumes for villas remained the same as 2022 while a 17% rise in secondary sales transactions was observed compared to 2022. In the apartment market, we witnessed a 47% rise in off-plan sales transactions and a 31% increase in secondary sales transactions compared to 2022.

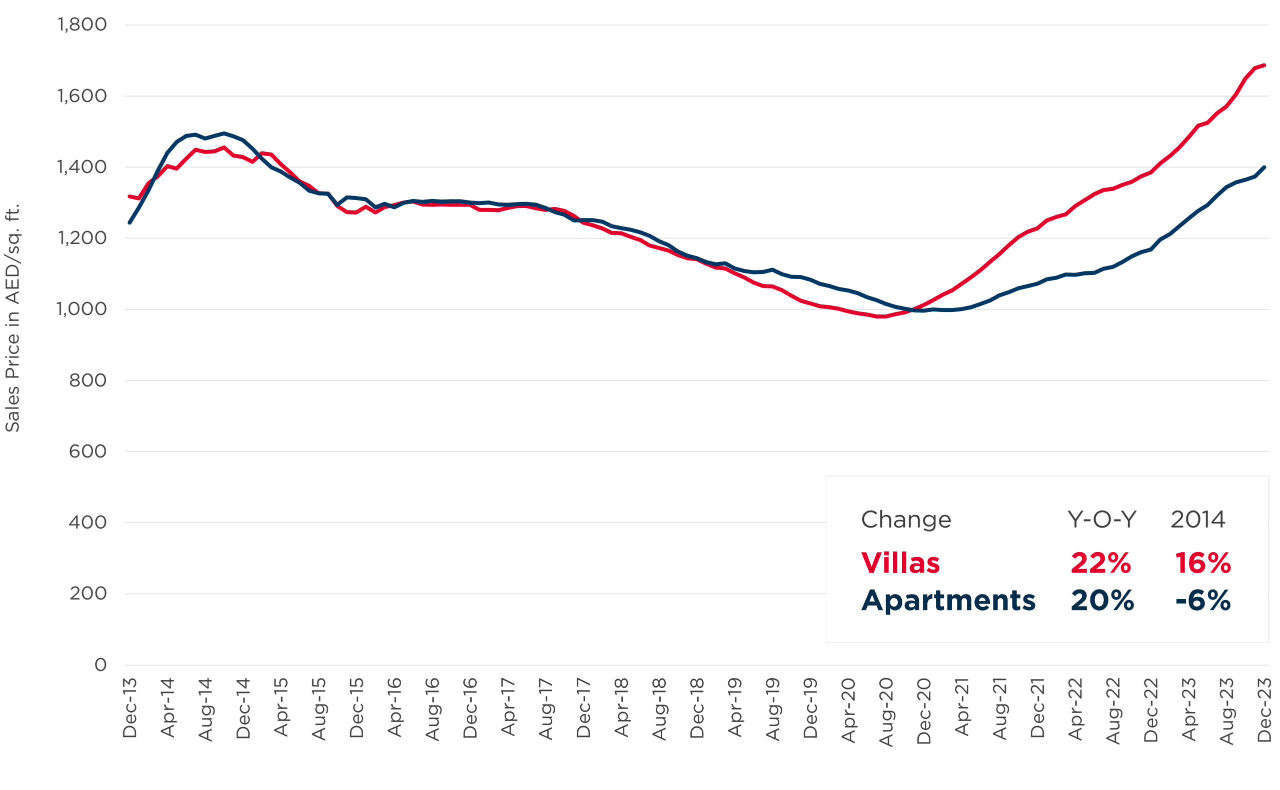
In terms of developer market share by developer, Emaar continues to lead off-plan demand by a significant margin, accounting for 18% of all off-plan transactions recorded in 2022, followed by Damac (13%) and Sobha (5%).



Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL
SALES PRICES

Dubai City-Wide Sales Price Trends



Source: Cushman & Wakefield Core Research, REIDIN

City-wide villa sales prices have risen 22% year-on-year and are up by over 16% from their 2014 peak values, while apartments are closely following with a 20% year-on-year increase and just over 6% below their 2014 peak values. To put the steep increases into perspective, city-wide apartment sales prices have increased by 32% and villa sales prices have risen by 68% since the pandemic.

In every residential district we monitor, there has been a sharp increase in sales prices year-on-year. The affordable areas Dubai Sports City (27%), Discovery Gardens (26%) and Dubai Land (23%) have seen the highest increases in apartment sales prices due to relatively lower bases.

The established prime villa market of Palm Jumeirah continues to see the highest level of increases at 34%, while other central villa districts including Jumeirah Park (31%), The Lakes (28%) also witnessed sharp rises.

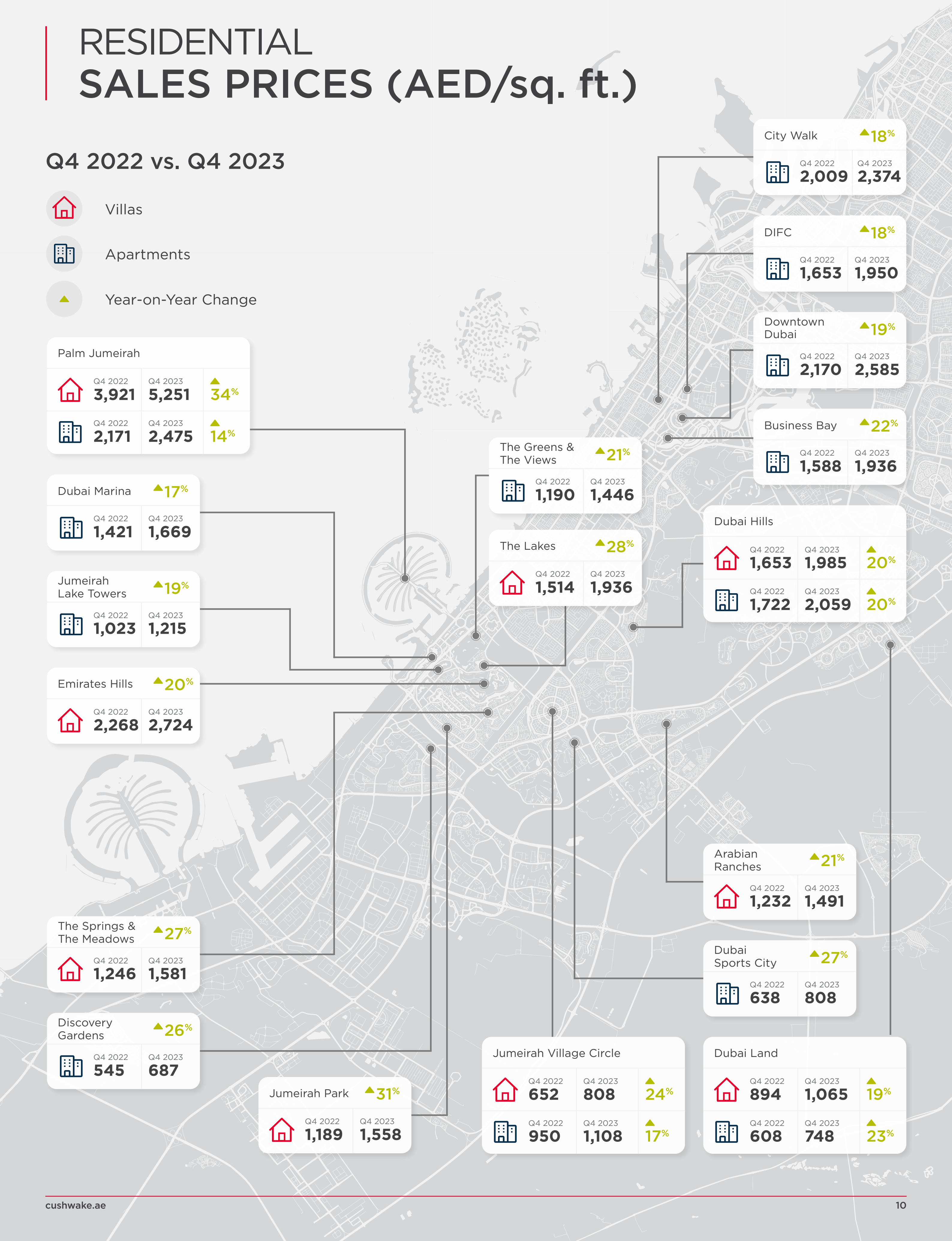
Although we don't think the market will experience sharp levels of price increases as seen in 2023, we do think there will be moderation in the market as the difference between ask and bid prices widens, pricing end users out of the market.

With very limited post-handover payment plans now seen in the off-plan market, and the potential lowering of the interest rates later in 2024, these are expected to support the secondary sales market and help moderate the sales price increases.

RESIDENTIAL
SALES PRICES (AED/sq. ft.)

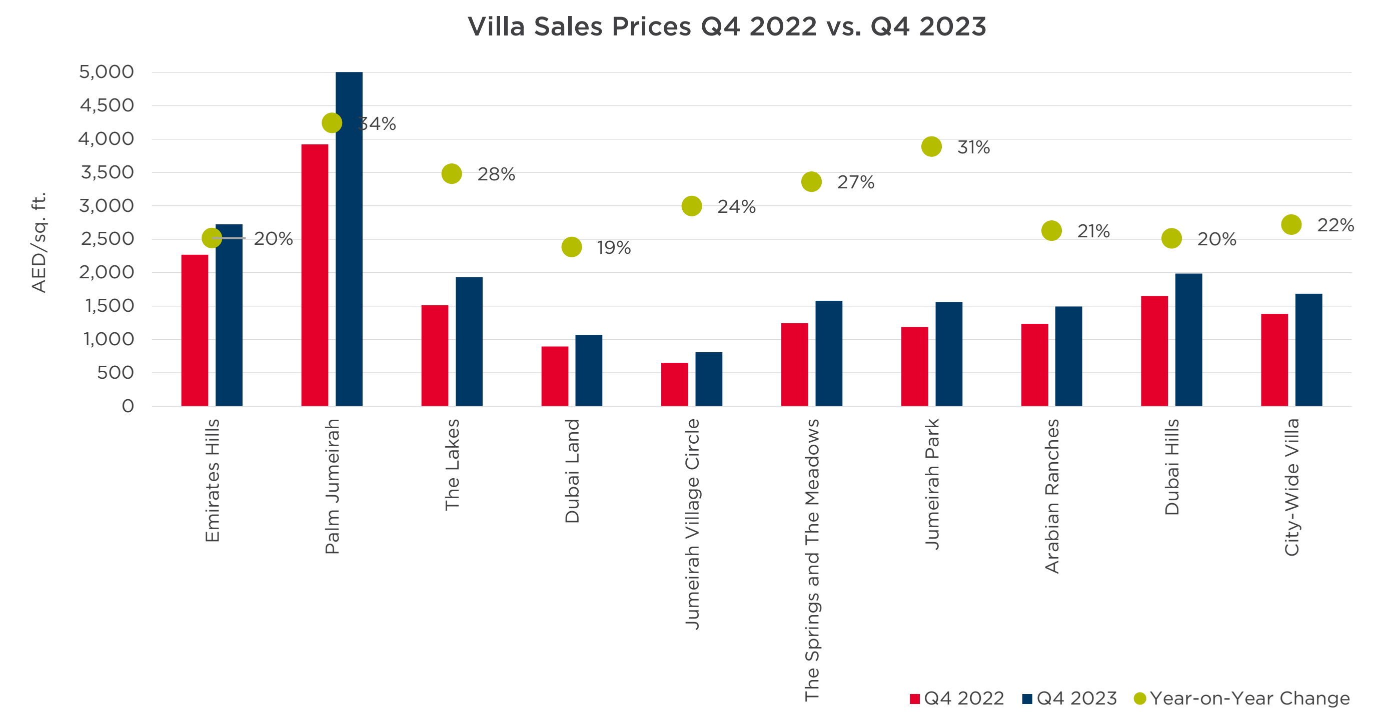
Q4 2022 vs. Q4 2023

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

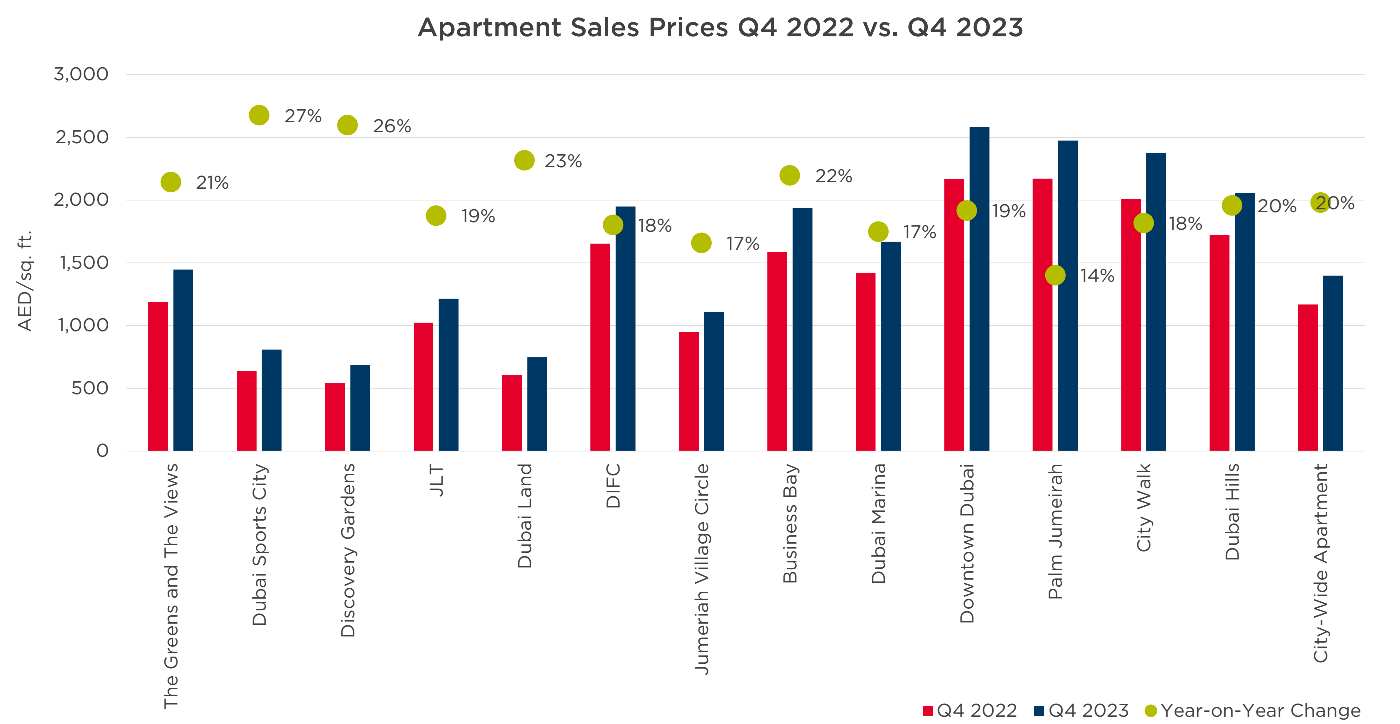


		Q4 2022	Q4 2023	Year-on-Year Change
Palm Jumeirah	Villas	3,921	5,251	▲34%
Palm Jumeirah	Apartments	2,171	2,475	▲14%
Dubai Marina	Apartments	1,421	1,669	▲17%
Jumeirah Lake Towers	Apartments	1,023	1,215	▲19%
Emirates Hills	Villas	2,268	2,724	▲20%
The Springs & The Meadows	Villas	1,246	1,581	▲27%
Discovery Gardens	Apartments	545	687	▲26%
Jumeirah Park	Villas	1,189	1,558	▲31%
The Greens & The Views	Apartments	1,190	1,446	▲21%
The Lakes	Villas	1,514	1,936	▲28%
Jumeirah Village Circle	Villas	652	808	▲24%
Jumeirah Village Circle	Apartments	950	1,108	▲17%
City Walk	Apartments	2,009	2,374	▲18%
DIFC	Apartments	1,653	1,950	▲18%
Downtown Dubai	Apartments	2,170	2,585	▲19%
Business Bay	Apartments	1,588	1,936	▲22%
Dubai Hills	Villas	1,653	1,985	▲20%
Dubai Hills	Apartments	1,722	2,059	▲20%
Arabian Ranches	Villas	1,232	1,491	▲21%
Dubai Sports City	Apartments	638	808	▲27%
Dubai Land	Villas	894	1,065	▲19%
Dubai Land	Apartments	608	748	▲23%

RESIDENTIAL **SALES PRICES**



Source: Cushman & Wakefield Core Research, REIDIN



Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL
RENT PRICES

The rental market continues to witness increases, with most residential districts we track seeing double-digit rises in new rents.

City-wide villa rents have risen 16% year-on-year and are up by over 17% from their 2014 peak values, while apartments have seen a sharper increase at 19% year-on-year – albeit apartment rents are 2% below their 2014 peak values.

Affordable apartment districts including Discovery Gardens (33%), Dubai Land (32%), and Dubai Sports City and Jumeirah Village Circle (29% each), saw the sharpest rental increases in the last 12 months due to relatively lower bases.

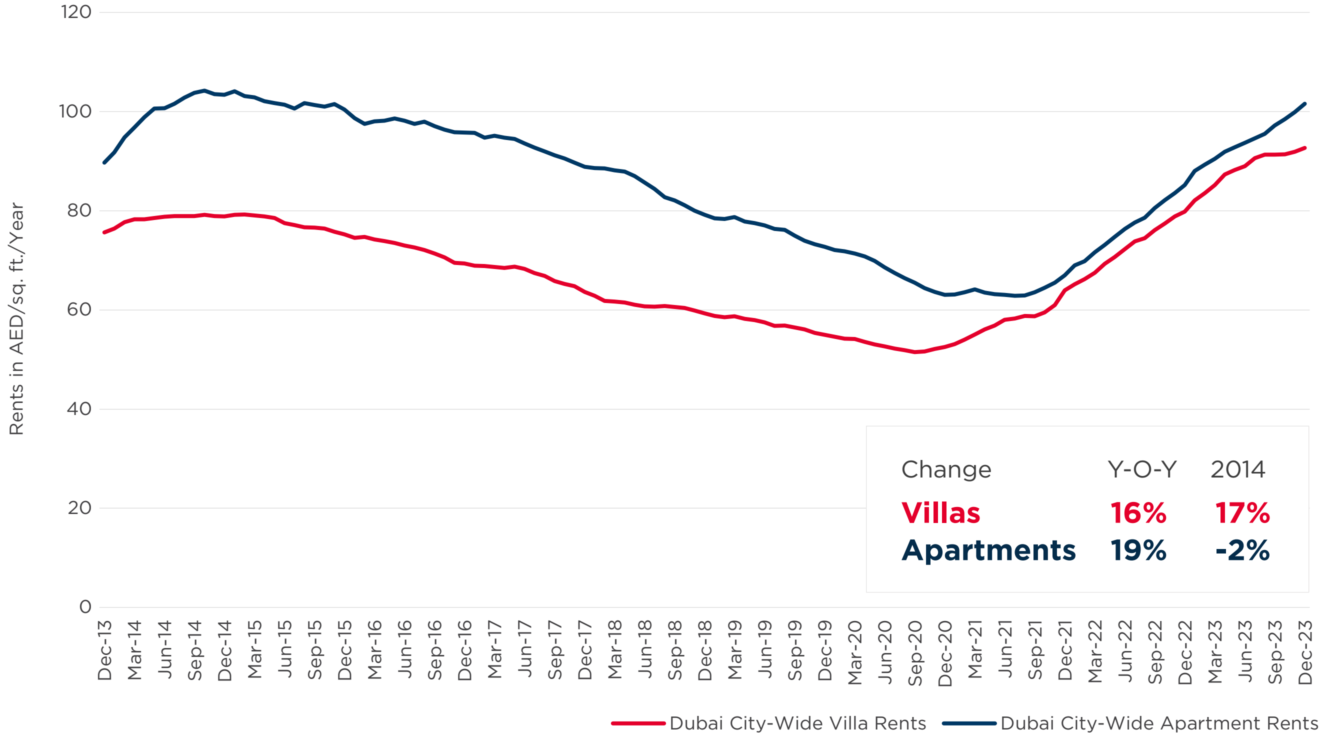
The sharpest rise in year-on-year villa rents was seen in Jumeirah Village Circle (25%), followed by The Springs and The Meadows (24%) and Emirates Hills (19%). These city-wide drastic rises in rents have caused a significant upheaval in the rental market over the last few years with most tenants receiving rental escalation notices.

Tenants prefer to stay in existing units as rental increases during renewals are considerably lower than new leases and are regulated by the RERA rental calculator. This is creating a two-tiered rental market with a widening gap between renewal and new lease rents.

Furthermore, a section of tenants, despite the high sales prices and interest rates, are becoming end-user buyers to avoid frequent renewal negotiations or relocations.

We expect rental rises to continue for new leases in 2024, particularly in established central locations, where high occupancy levels will exert upward pressure on rent. That said, with a greater number of deliveries in the sub-urban locations, we expect rental increases to be moderate in the newly handed over districts.

Dubai City-Wide Rental Trends



Change	Y-O-Y	2014
Villas	**16%**	**17%**
Apartments	**19%**	**-2%**

Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL
RENT PRICES (AED/sq. ft.)

Q4 2022 vs. Q4 2023

- Villas
- Apartments
- Year-on-Year Change

Palm Jumeirah

	Q4 2022	Q4 2023	Change
Villas	154	156	▲1%
Apartments	128	134	▲5%

Dubai Marina ▲17%

	Q4 2022	Q4 2023
Apartments	110	129

Jumeirah Lake Towers ▲20%

	Q4 2022	Q4 2023
Apartments	86	103

Emirates Hills ▲19%

	Q4 2022	Q4 2023
Villas	93	111

The Springs & The Meadows ▲24%

	Q4 2022	Q4 2023
Villas	70	87

Discovery Gardens ▲33%

	Q4 2022	Q4 2023
Apartments	53	70

Jumeirah Park ▲1%

	Q4 2022	Q4 2023
Villas	70	71

The Greens & The Views ▲18%

	Q4 2022	Q4 2023
Apartments	95	113

The Lakes ▲13%

	Q4 2022	Q4 2023
Villas	90	102

Jumeirah Village Circle

	Q4 2022	Q4 2023	Change
Villas	51	64	▲25%
Apartments	70	91	▲29%

City Walk ▲21%

	Q4 2022	Q4 2023
Apartments	134	161

DIFC ▲26%

	Q4 2022	Q4 2023
Apartments	104	130

Downtown Dubai ▼4%

	Q4 2022	Q4 2023
Apartments	153	147

Business Bay ▲19%

	Q4 2022	Q4 2023
Apartments	104	123

Dubai Hills

	Q4 2022	Q4 2023	Change
Villas	110	120	▲8%
Apartments	121	153	▲26%

Arabian Ranches ▲11%

	Q4 2022	Q4 2023
Villas	77	86

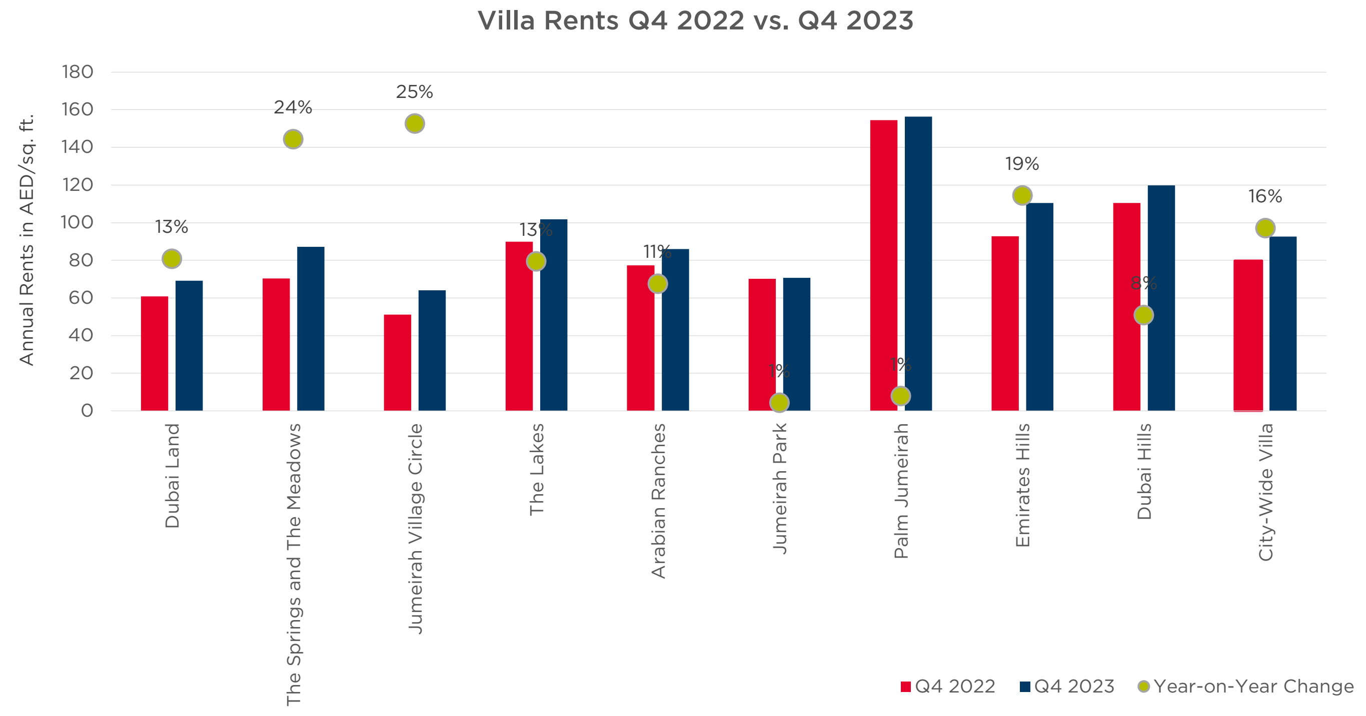
Dubai Sports City ▲29%

	Q4 2022	Q4 2023
Apartments	54	70

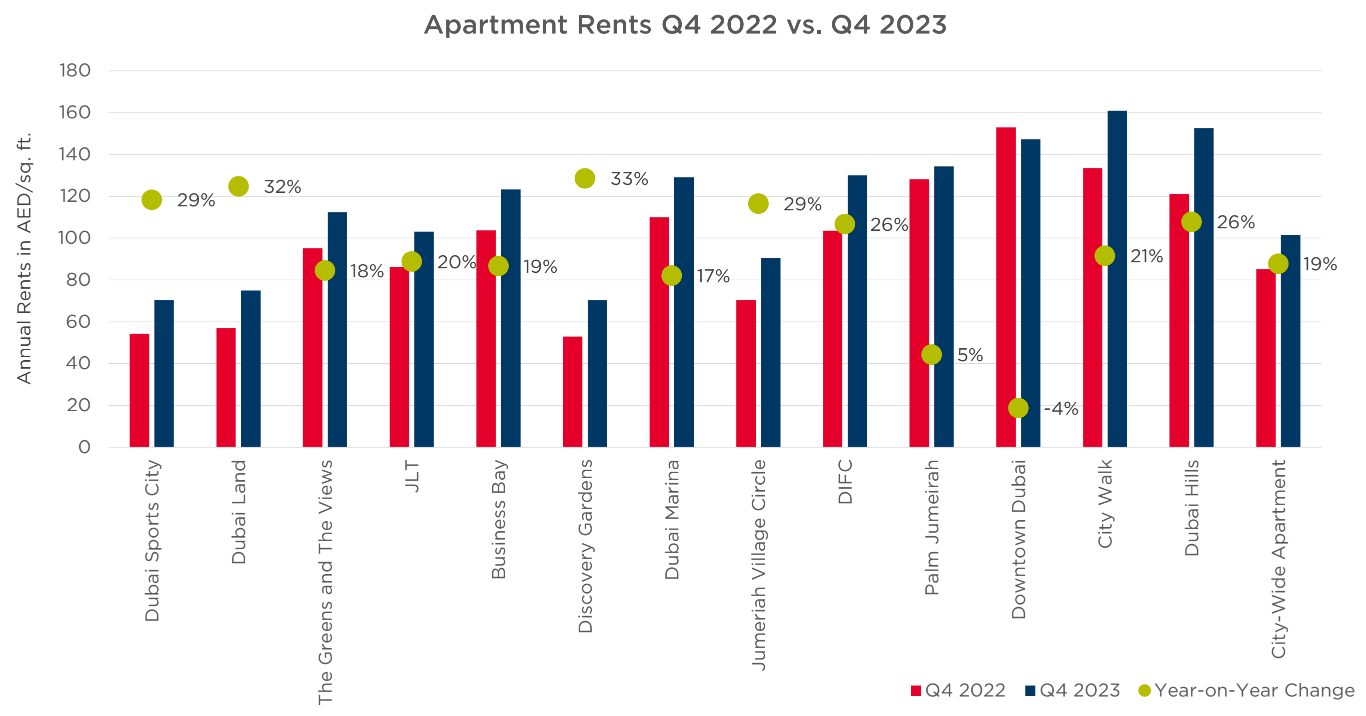
Dubai Land

	Q4 2022	Q4 2023	Change
Villas	61	69	▲13%
Apartments	57	75	▲32%

RESIDENTIAL
RENT PRICES



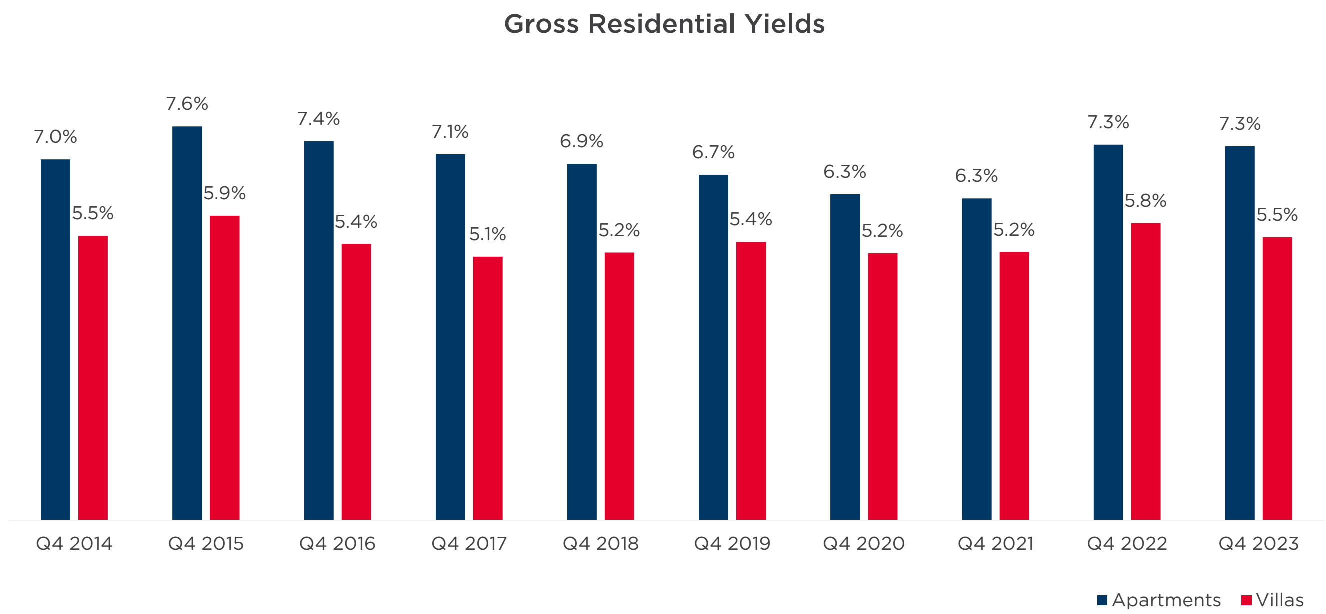
Source: Cushman & Wakefield Core Research, REIDIN



Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL **YIELDS**

Gross apartment yield levels at 7.3% continue to be at the highest level in the last 7 years, while the city-wide villa gross rental yield has dropped from 5.5% to 5.3% due to sales prices increasing at a sharper pace than the rental prices.



Source: Cushman & Wakefield Core Research, REIDIN

RERA Rental Valuation Certificate

Some landlords are utilising the RERA Rental Valuation Certificate to increase their rents over the RERA rental index. The certificate service can be accessed through:

1. The Dubai Land Department's official website or,
2. Through the Dubai REST app

REQUIREMENTS

- Details and photos of the specific property
- A payment of AED 2,000 per unit

Based on the submitted documents, the Land Department may issue the Rental Valuation Certificate, reflecting the current market value of that property in Dubai.

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 in the Emirates Hills and Palm Jumeirah, respectively.

1,422

Residential properties sold above AED 20 Million in Dubai in 2023 compared to 822 in 2022.

The majority of transactions were located in Palm Jumeirah, Downtown Dubai, Business Bay, Palm Jebel Ali, Dubai Hills Estate and Tilal Al Ghaf.

40

Transactions concluded above AED 100 Million in Dubai in 2023 compared to 24 transactions in 2022.

The most transactions were in Palm Jumeirah, Emirates Hills and Jumeirah Bay Island.

74%

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

Most Expensive Apartment Sold Ever in Dubai

AED 500 MN

Como Residences in Palm Jumeirah at 22,780 AED/sq. ft.

Most Expensive Villa Sold in 2023 in Dubai

AED 209 MN

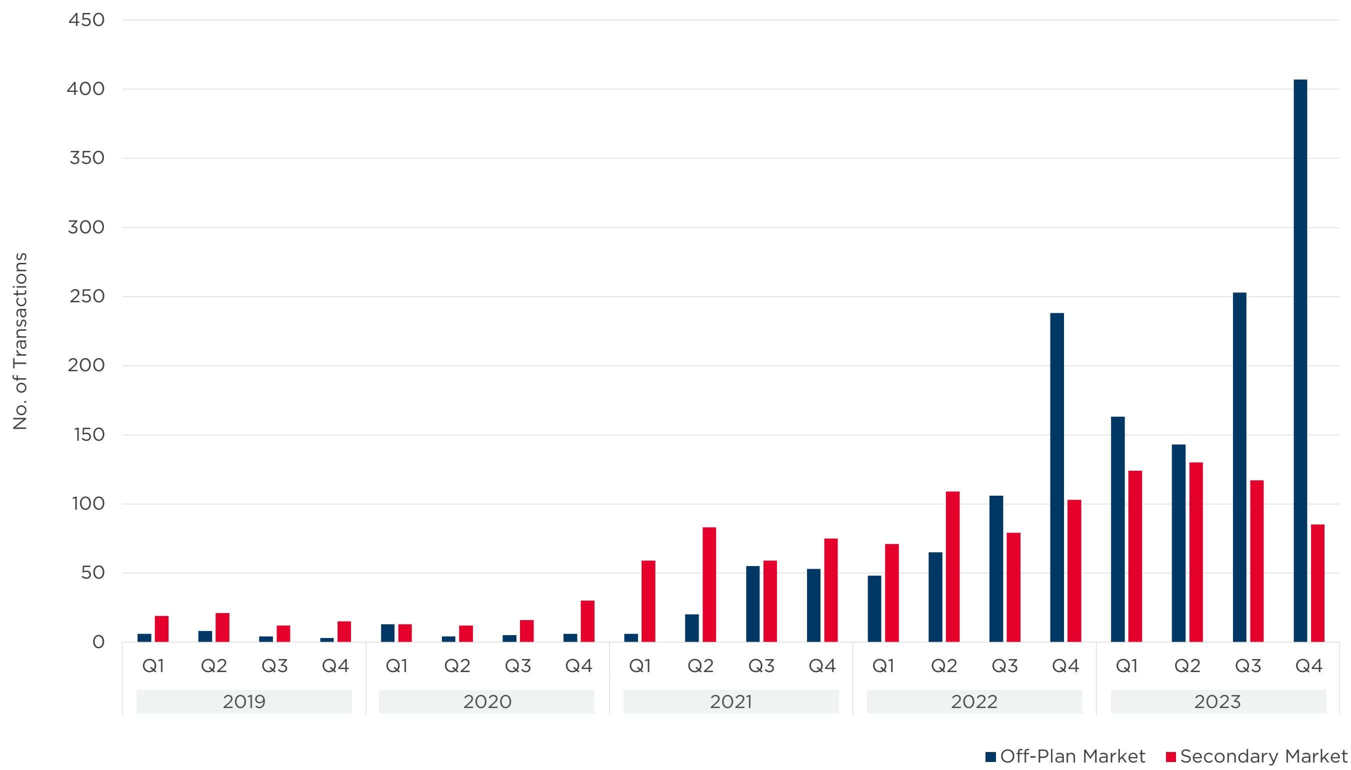
Sector E in Emirates Hills at 14,319 AED/sq. ft.

22,780 AED/sq. ft.

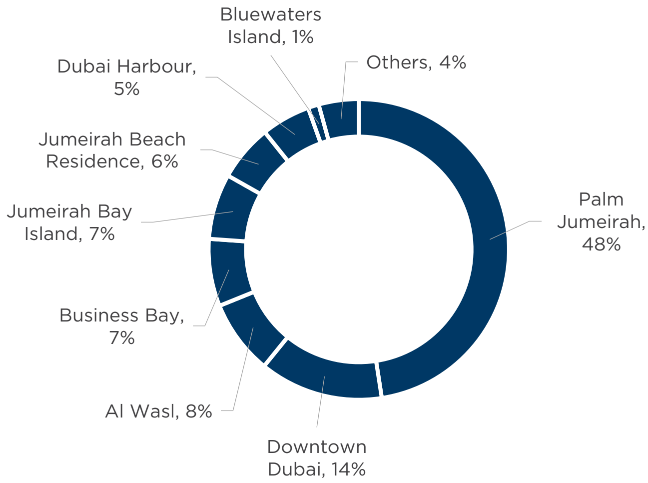
Highest transacted residential sales price per sq. ft. in 2023

ULTRA PRIME MARKET

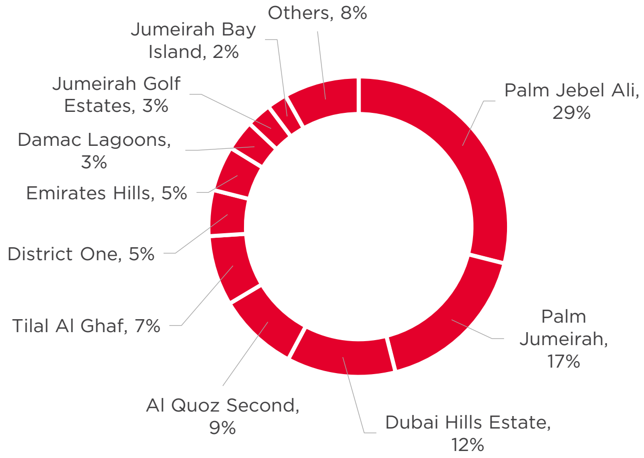
Ultra Prime Transactions in Dubai (AED 20 Million and Above)



Ultra Prime Apartment Transactions by Area - 2023



Ultra Prime Villa Transactions by Area - 2023



Source: Cushman & Wakefield Core Research, REIDIN

Note: Total villa transactions above AED 20 Million = 888
Total apartment transactions above AED 20 Million = 511

RESIDENTIAL MARKET **FORECAST**

Transaction volumes to continue witnessing a steady increase. Sales transactions, in both the secondary and off-plan market, are expected to witness a sustained uptick in 2024 as demand continues from local and international buyers – albeit at a moderate pace.

Sales prices to witness a gradual, yet, continued rise. While we expect continued growth in sales prices, we forecast moderation in increases.

Rental rises and high occupancy levels are expected to continue in 2024, particularly for central locations in the range of 10-20%. Outer and sub-urban locations are expected to see relatively lower levels on rental increases, however, with a growing disparity between rents in new leases and renewals across the city.

The Ultra-prime market to continue outperforming the market.

Market Risks

Inflationary pressures and growing affordability concerns, particularly in the rental market and migration to Northern Emirates.

Growing geo-political risks impacting the region, however, we have seen historically that Dubai is the preferred safe haven for investments in the region.

Other regions in the GCC are also growing and attracting investment and talent.

Off-plan market transactions have exceeded volumes witnessed in the secondary market, signaling a prevalence of investors as opposed to end-users in the current market.

Office Market Snapshot

Q4 2023

108 Mn sq. ft.
Total existing office GLA

1.65 Mn sq. ft.
Upcoming office GLA by 2025

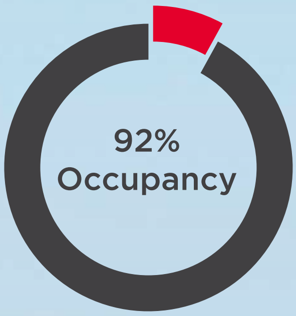
89%
City-wide office occupancy

33%
Grade A office stock

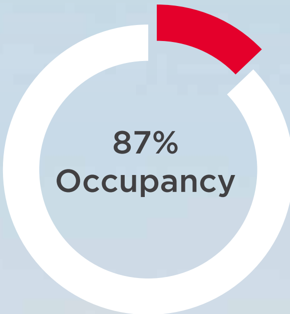
23%
Year-on-year rise in city-wide office sale prices

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

35.21 Million sq. ft.
Grade A Office Stock



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



DUBAI OFFICE **SUPPLY**

Over 810,000 sq. ft. of office space was handed over in 2023 bringing the total Dubai office stock to 108 million sq. ft. Major office handovers in 2023 included Uptown Tower in Jumeirah Lake Towers, One Za'abeel in Za'abeel, and Innovation Hub in DIFC.

In 2024, we foresee over 1.65 million sq. ft. of gross leasing area to be handed over featuring developments such as Wasl Tower, Millenium Downtown (refurbished Crowne Plaza), Expo Phase 2, and the next phases of Innovation Hub and Dubai CommerCity.

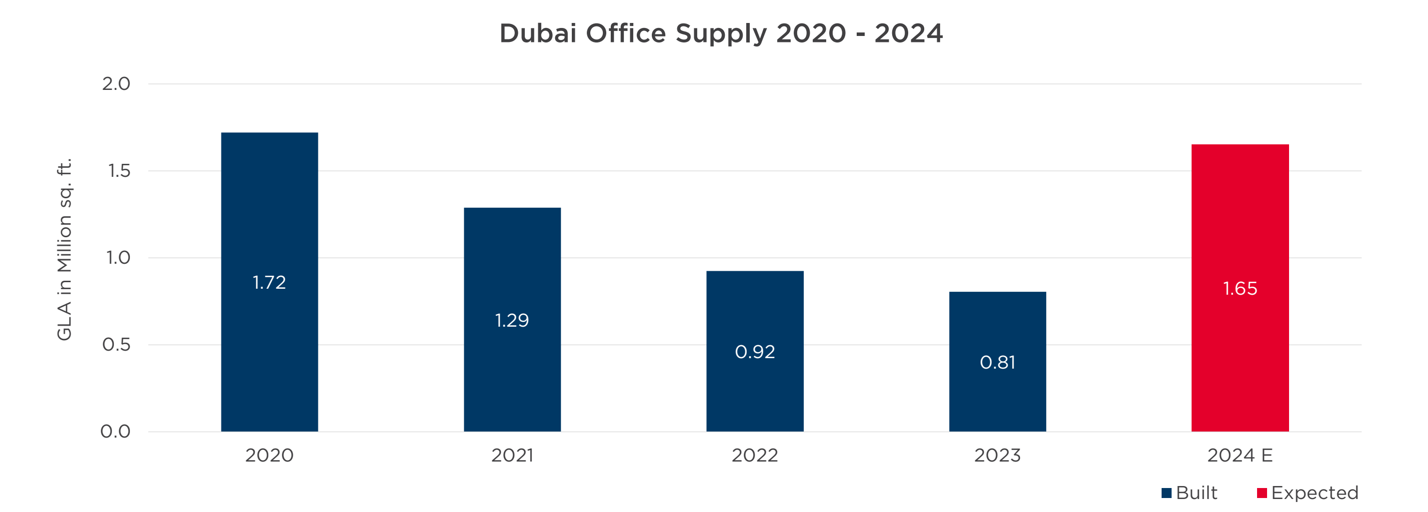
We have also observed a recent trend where a few major global occupiers are seeking to sublease their existing office spaces, particularly in freezones as they are either under-utilising their headcount linked to visas or expanding within the region. However, this constitutes a very small percentage of the overall vacant office stock.

That said, the majority of the new freezone office pipeline is already pre-leased, indicating very limited availability upon handover. With most office buildings witnessing very high occupancy levels and limited new supply being handed over, a clear and imminent shortage of office supply is expected to constrict the office market over the next few years.

While freezones such as Dubai South, Expo district and outer TECOM clusters have some existing office inventory spread across the city, DED licenced central locations are short on supply. We are witnessing a significant interest from single landlords (with undeveloped land holdings) and freezones wanting to activate new office projects or upgrade/repurpose existing office stock, as there is currently very little new on-shore office stock under development.

Nonetheless, we anticipate an office supply shortage in the near future due to the minimum two- to three-year building cycle, which will put additional upward pressure on rents and occupancy levels.

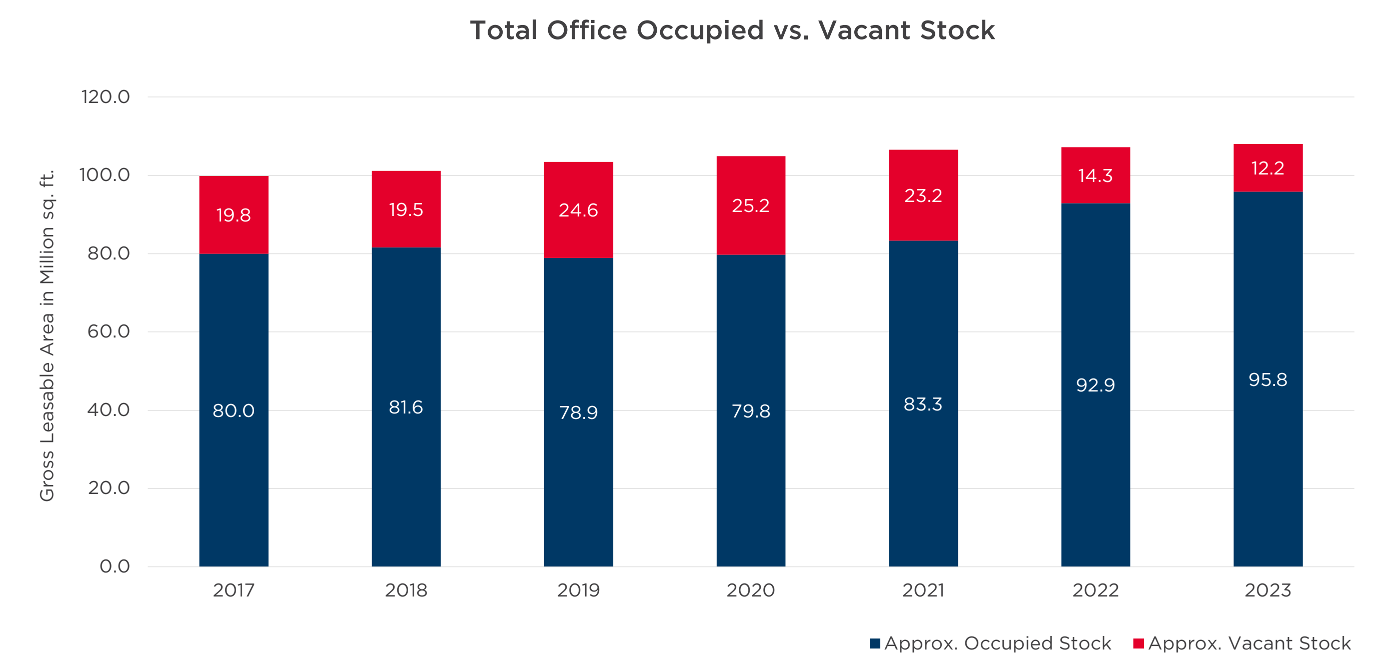
> "The surge in demand post pandemic has resulted in over 13 million sq. ft. of office stock being absorbed in the last three years. With the pace of absorption exceeding the rate of deliveries along with the majority of the upcoming stock already pre-leased, the supply scarcity continues to exacerbate.



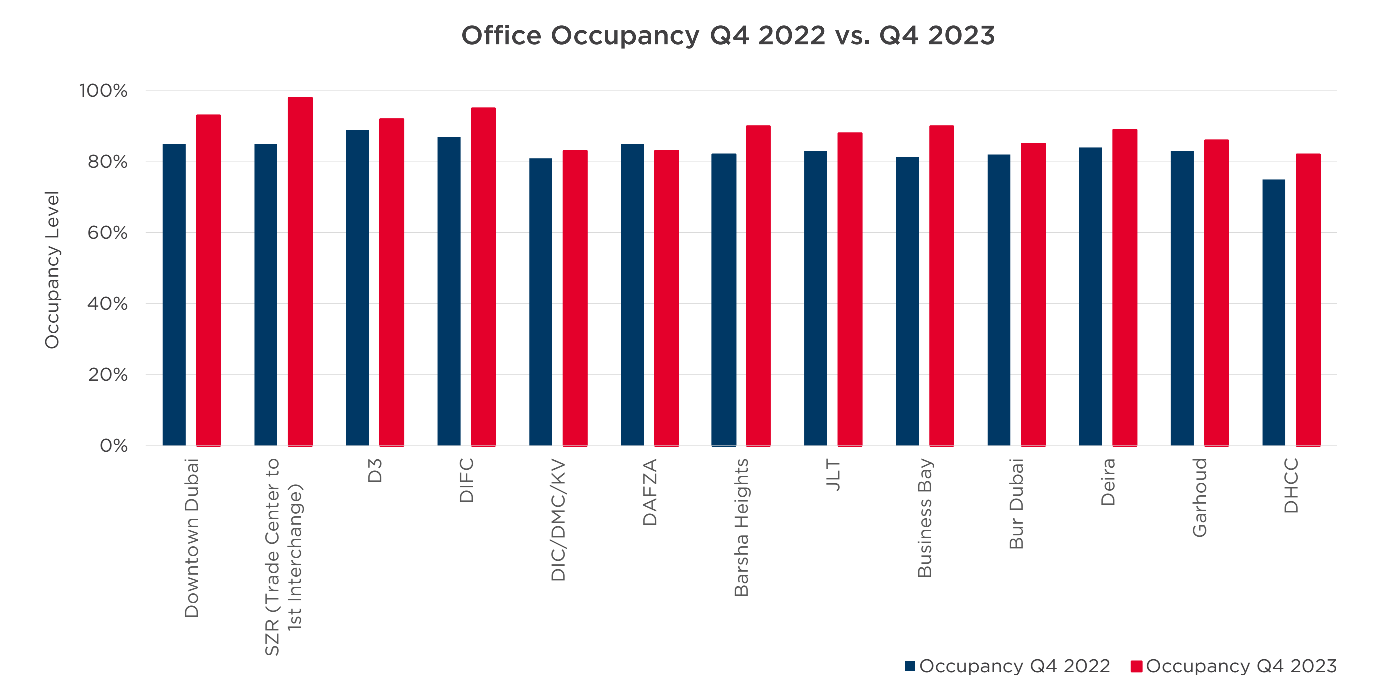
Source: Cushman & Wakefield Core Research

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.



Source: Cushman & Wakefield Core Research



Source: Cushman & Wakefield Core Research

DUBAI OFFICE **DEMAND**

We have seen a sharp rise in enquiries and new lease registrations over 2023 compared to 2022 due to strong demand from both new market entrants and existing occupiers looking to expand.

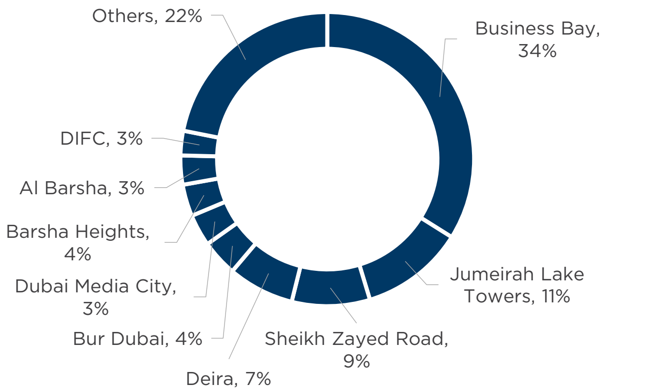
The strong economic backdrop, ease of doing business, and competitively priced office rents compared to other gateway cities, along with Dubai's central location and overlap with multiple time zones across both western and eastern markets, make it ideal for firms to house their offices here.

Business Bay recorded the highest demand accounting for 22% of office enquiries followed by Jumeirah Lake Towers at 14% and Sheikh Zayed Road at 10%. 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.

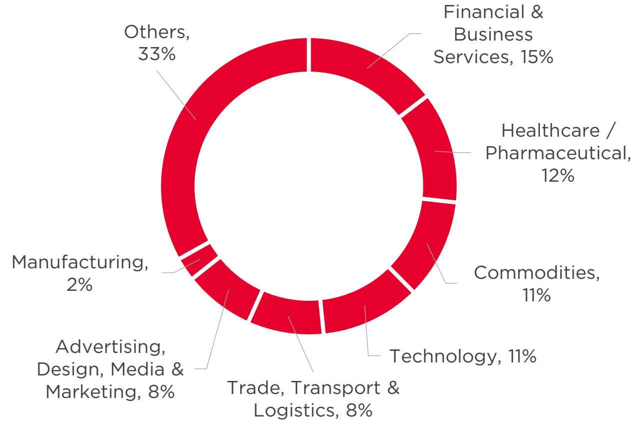
The office size in highest demand falls within the range of 1,000 to 3,000 sq. ft., constituting almost 70% of all office inquiries. The finance and business services sector maintains its position as the top sector generating office leads, with numerous existing and new occupiers expressing interest in expansion or market entry. Additionally, healthcare, commodities, and technology are prominent sectors that witnessed inquiries throughout 2023. As anticipated, the demand in the technology sector has decreased over the past year, reflecting a global slowdown in the industry.

There is a rising inclination among both global occupiers and local enterprises towards flexible office spaces. This preference stems from a desire for adaptability and the convenience of easily scaling up or down. These entities are willing to pay a premium for such flexibility to avoid operational costs and expedite occupational timelines. Most of the global and homegrown business centers in Grade A buildings are at near capacity and we are also witnessing growing demand from flex-space operators looking to open newer locations to cater to this surge.

Office Leads by Area - 2023



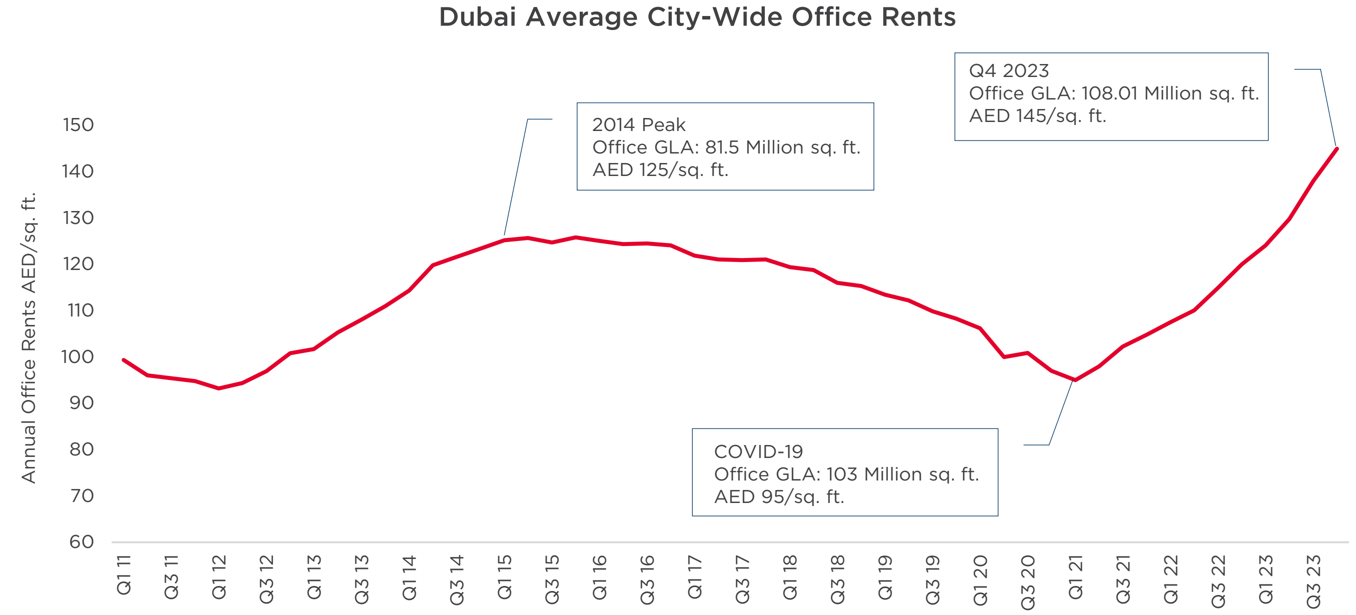
Office Demand by Sector - 2023



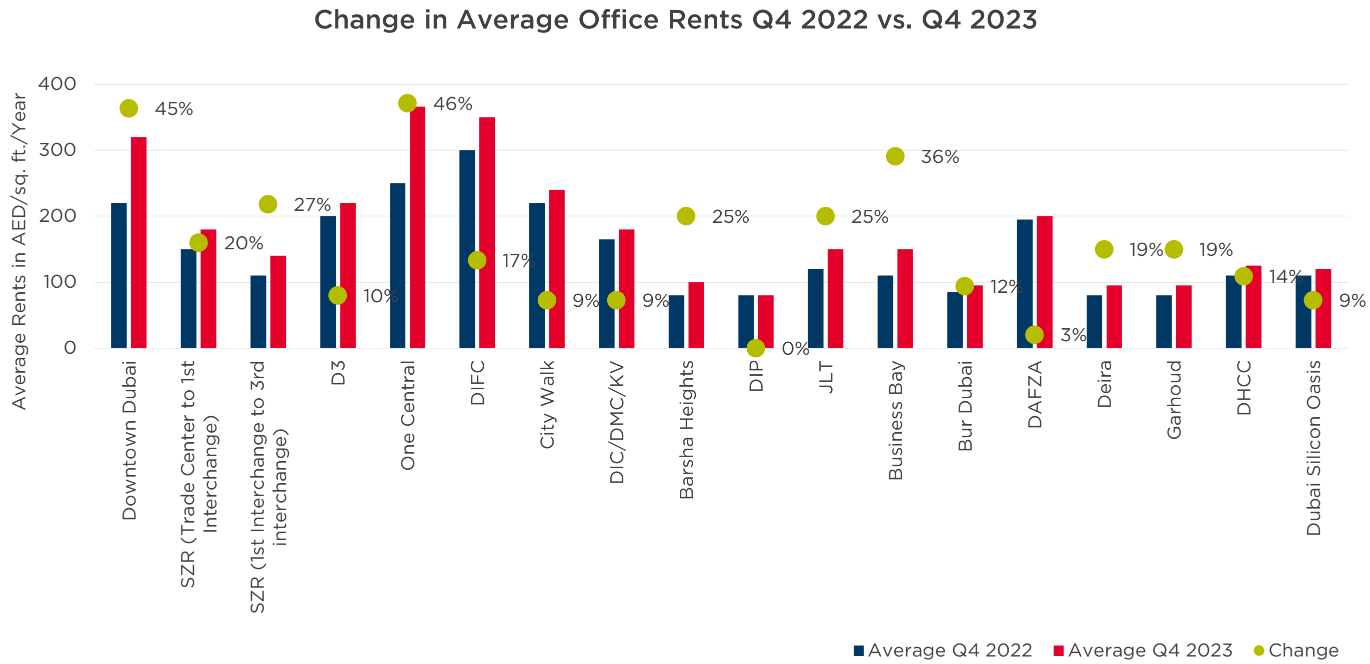
Source: Cushman & Wakefield Core Research

DUBAI OFFICE **RENTS**

City-wide office average rents are 16% above 2014 peak values, and we expect this upward trajectory in rents to continue over the near term.



Source: Cushman & Wakefield Core Research



Source: Cushman & Wakefield Core Research

DUBAI OFFICE **RENTS**

Surging office rental prices and heightened occupancy rates

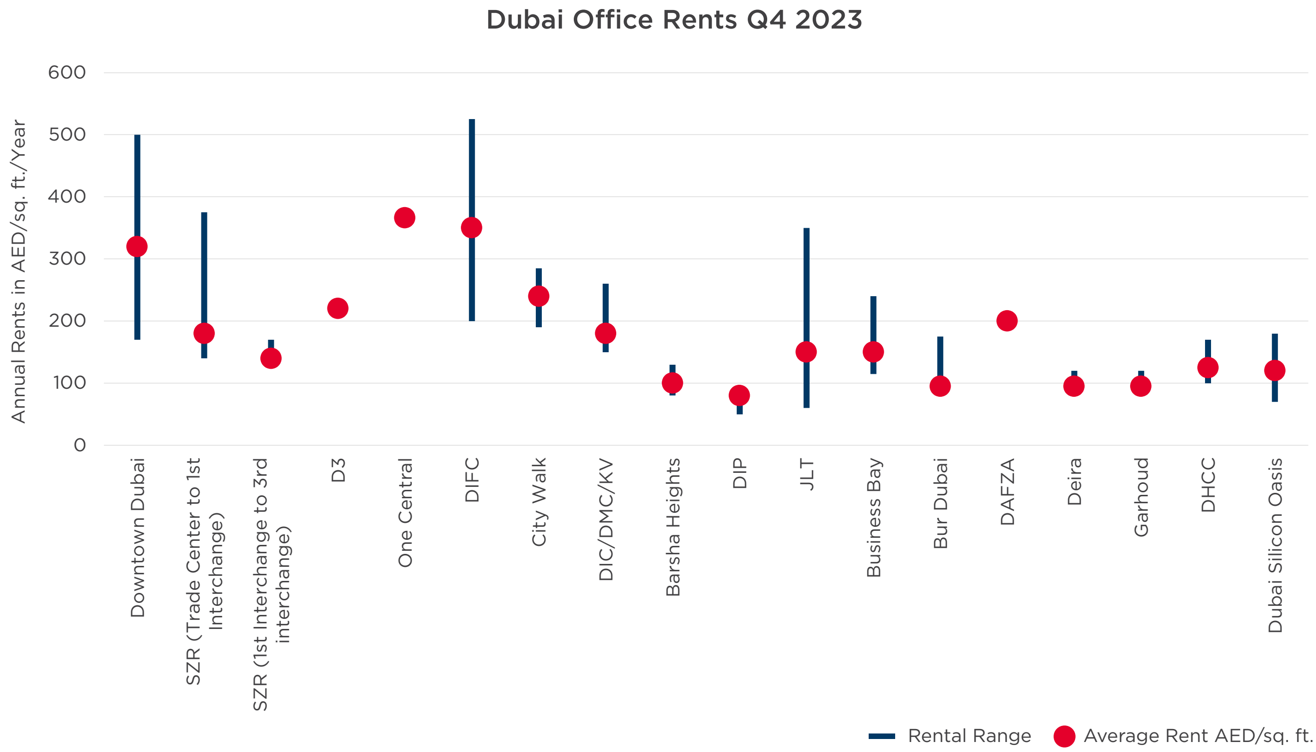
The market's robust demand for office space, coupled with high occupancy levels, has resulted in a consistent upward trajectory of rental prices across the city throughout 2023.

Notably, One Central experienced a substantial 46% year-on-year surge in rental prices, closely followed by a 45% uptick in Downtown Dubai and a 36% increase in Business Bay. In 2023, DIFC and One Central emerged as leaders in the city's highest average office rents, surpassing AED 360/sq. ft. while plug-and-play offices at ICD Brookfield Place are commanding significant premiums above the DIFC average.

Several tenants, who had previously negotiated favourable lease terms with lower rents during the pandemic, are now reaching the end of their two or three-year lease agreements and are encountering landlords seeking rental escalations during renewals. While the RERA rental calculator aids in avoiding sharp increases, landlords, cognizant of favourable market conditions, persist in pushing for higher rents during renewals. This situation has given rise to a two-tiered office market, where renewal rental rates within the same building significantly deviate from new lease rents, reaching disparities of up to 30% to 60% in certain cases.

Tenants who have committed to longer lease terms of 3 to 5 years generally have pre-agreed escalations of 5% every two years and will soon face the same issue. Anticipating updates in the RERA rental index, it is expected that this gap between renewal and new lease rates will be narrowed.

Furthermore, driven by sustainability mandates, international occupiers continue to gravitate towards new Grade A developments. Both regional and international tenants actively seek single-owned, efficiently managed, and preferably LEED certified buildings. While older inventory experiences spillover demand, it is poised to face challenges in the mid-to-long term as it ages, requiring substantial investments for upgrades. Single landlords are increasingly recognizing the need to refurbish older inventory and we have seen substantial vacated stock, along with common areas, undergo refurbishments. For example, Emirates Towers, multiple buildings under TECOM in Dubai Internet City and Dubai Media City, Thuraya Tower in Dubai Media City, and Millenium Downtown (previously Crowne Plaza) are among the prominent buildings that have seen upgrades recently.



Source: Cushman & Wakefield Core Research

DUBAI OFFICE
SALES MARKET TRENDS

The office sales market has observed a substantial 24% year-on-year surge in transaction volumes, accompanied by a 23% increase in median sales prices. Nevertheless, we are still below the peak values of 2014 in both transaction volumes and sales prices.

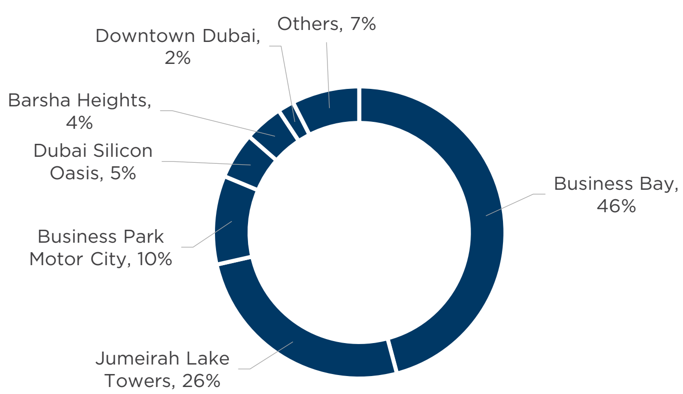
With high occupancy rates and rental rates, it is a good time for landlords to exit the market. However, high interest rates are inhibiting potential buyers, along with the growing difference between ask and bid prices.

Furthermore, with many promising IPOs launched recently and attractive returns from equity and bank fixed deposit, which are liquid investment instruments, investors have alternate avenues and are seeking particularly high returns from the office market to justify their investment.

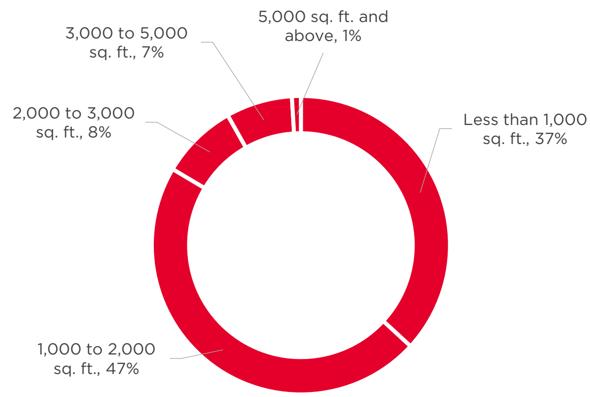
While investment prospects in other Western office markets exist, they are grappling with occupancy challenges stemming from a larger percentage of occupiers working remotely. In contrast, Dubai boasts high occupancy levels for Grade A assets, making a compelling case for institutional investment.

Looking at district performance, Business Bay claimed the lead with a 46% share in transaction volume, followed by Jumeirah Lake Towers at 26%, primarily due to these districts having the highest concentration of strata offices. The enduring popularity and consistent demand for sub-2,000 sq. ft. office units, attributed to their ease of leasing and the initial design and sale strategies, make this size category the preferred choice for sales, constituting over 84% of all transacted offices in 2023.

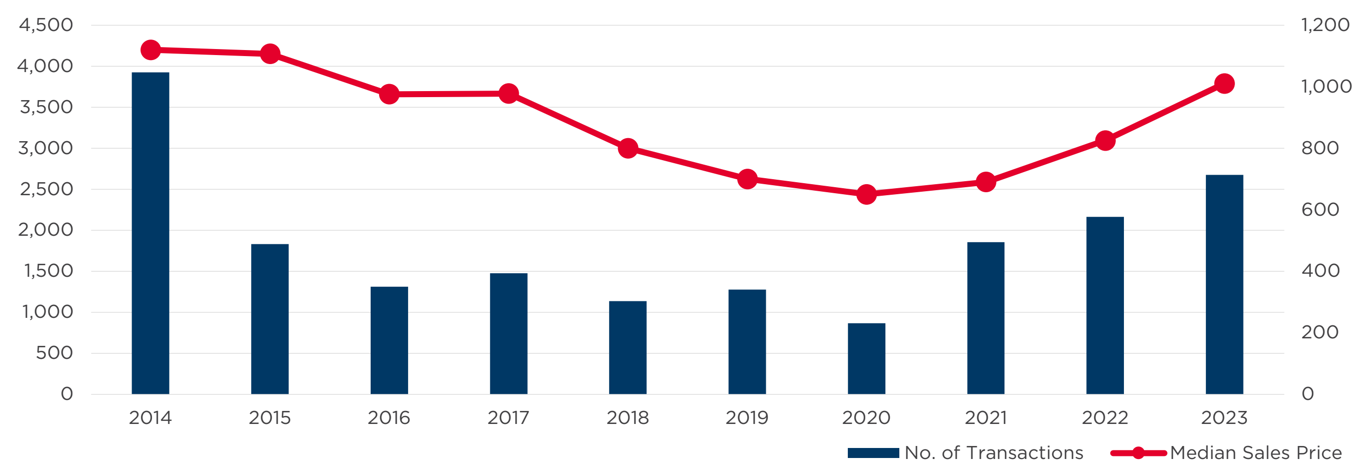
Office Market Sale Transactions by Area - Q4 2023



Office Market Sale Transactions by Size - Q4 2023



Dubai Office Sales Market



Source: Cushman & Wakefield Core Research, REIDIN

DUBAI OFFICE MARKET **OUTLOOK**

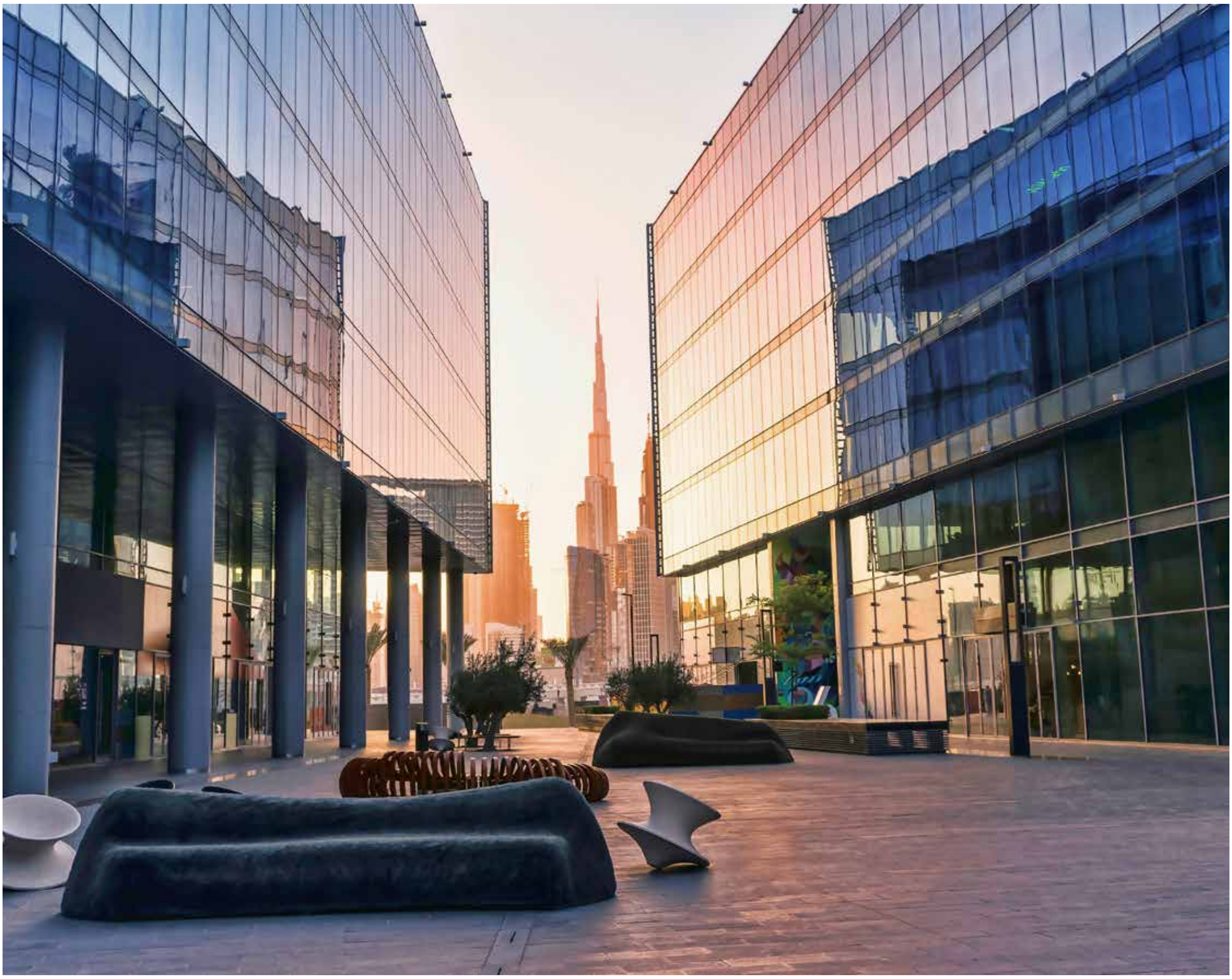
Tenants are increasingly attuned to the evolving market dynamics and are navigating within their current spaces where feasible. They are employing workspace strategies and embracing hybrid work models as alternatives, given the constraints on spatial expansion options. Those seeking to expand but not being able to in existing buildings are being pushed to relocate, bringing pockets of secondary stock to the market.

Fuelled by robust pre-leasing interest, freezones, and notable single landlords are looking to activate subsequent phases of their office projects. However, older office stock may encounter difficulties in retaining and satisfying tenants. Landlords with aging office stock are compelled to explore refurbishment initiatives for underperforming assets, aiming to optimize rental returns and align with market trends.

A notable trend is emerging where certain single landlords are embarking on comprehensive building-wide refurbishments to upgrade their facilities.

In contrast, strata-owned buildings may face challenges in enhancing their communal areas and amenities, attributed to limited control over the asset.

With a sustained influx of new market entrants, established entities expanding across diverse sectors, and a scarcity of available office spaces, the projection is for office rents in Dubai to persistently rise. Prime areas are anticipated to experience a further 10 to 15% escalation in rents, and occupancy levels are poised to encounter upward pressure over the next 18 to 24 months.



2024

OFFICE MARKET **FORECAST**

- Office demand to continue outstripping supply
- Office rents to increase in the range of 10 to 15% over 2024
- Occupancy levels to continue expecting upward pressures with Grade A office occupancy expected to be near 95%
- Developers and freezones are expected to initiate the next phases of office projects
- A rising number of landlords to upgrade older office stock to address rising demand
- A small section of secondary stock is expected to be brought to market as some technology and services sector tenants consolidate - albeit easing the supply crunch

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Q3 2023

Dubai Annual
Market Update
2022/2023

Dubai
Market Update
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Abu Dhabi
Market Snapshot
2022

Dubai Annual
Market Update
2021/2022

Dubai
Market Update
Q3 2021

Dubai
Market Update
Q1 2021

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