Research

MENA | 2024 | Q1

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The UAE Real Estate Market overview

JLL SEE A BRIGHTER WAY

Office

Dubai

9.2m sq m GLA	→	38k sq m GLA
Total stock		2024 planned deliveries

22% Y-o-Y ↑

Average Grade A CBD rents

Abu Dhabi

3.9m sq m GLA	→	79k sq m GLA
Total stock		2024 planned deliveries

14% Y-o-Y ↑

Average Grade A rents

The office market in Dubai witnessed limited delivery of around 17,000 sq. m. of new office space during the first quarter, resulting in a total stock above 9.2 million sq. m. For the remainder of the year, around 38,000 sq. m. of space is expected to be delivered. Whilst Dubai's upcoming supply for 2024 remains limited, materialization of previously announced expansion plans of existing freezones and commercial developments is expected to gradually alleviate supply pressure in the long run. In Abu Dhabi, supply remained stable at 3.94 million sq. m. during the quarter and has an additional 79,000 sq. m. scheduled for 2024.

During the first quarter, demand for office space continued to remain strong. There was notable activity from corporate occupiers, who showed a preference for fitted space due to landlords' reduced contributions to capital expenditures (CAPEX). However, in limited cases, tenants were able to negotiate amortisation of CAPEX into the rental agreement. Overall, tenants continued to face challenges in securing favourable lease terms due to limited availability, high rents, and intense competition, especially within the Central Business District (CBD).

From a landlord's standpoint, the current strategy involves prioritising long-term occupancy and employing a selective approach when signing tenants. Assessing their value-add to the building and compatibility within the existing tenant mix were key considerations. Moreover, landlords have recognised the advantages of integrating flexible space components into their developments to accommodate a diverse range of office needs. This is particularly beneficial for new market entrants with small office space requirements that may subsequently expand.

As a result, rental rates in both cities' office markets experienced a significant upsurge in Q1 2024. Indeed, average Grade A rents in Dubai's CBD increased by 22% year-on-year (Y-o-Y), reaching AED 2,600 per sq. m. per annum. The spike in leasing activity further decreased office vacancies within the CBD, from 11% a year ago to the current 8%. Similarly, average city-wide Grade A rents in Abu Dhabi increased by 14% during the same period, reaching AED 2,045 per sq. m. per annum. Additionally, average city-wide vacancy stood at 22% in the capital.

Residential

Dubai

729k units	→	25k units
Total stock		2024 planned deliveries

21% Y-o-Y — Average sale prices (March 2024) ↑ 21% Y-o-Y — Average rental prices (March 2024)

Source: REIDIN

Abu Dhabi

286k units	→	6k units
Total stock		2024 planned deliveries

7% Y-o-Y — Average sales prices ↑ 4% Y-o-Y — Average rental prices

The residential market in Dubai experienced a strong start to the new year, with around 10,000 units completed over the first quarter, raising the total stock to 729,000 units. Looking ahead, an additional 25,000 units are scheduled for delivery over the remaining 9 months. These units will primarily consist of apartments located in prominent areas such as MBR City, Business Bay, Jumeirah Village, and Dubai Land. In Abu Dhabi, there was a steady delivery of 1,600 units, contributing to a total stock of 286,000 units. Moreover, an additional 6,000 units are anticipated to be added by the end of the year.

Due to escalating land prices and construction costs, developers are compelled to shift their focus towards secondary locations. Consequently, they are driven to introduce innovative product offerings that emphasise essential lifestyle amenities and value-added services, ensuring sustained investor demand. In order to incentivize buyers, attractive payment options are becoming more prevalent. Moreover, with the recent updates to the golden visa requirements in the UAE, developers are likely to target properties within the AED 2 million price range, enabling buyers to meet the threshold for eligibility.

Looking at the performance, the residential sector continued to demonstrate strong growth in Q1 2024. In Dubai, both sale prices and rentals registered around 21% annual increases, respectively. Apartment rentals, in particular, experienced a considerable annual surge of 22%, surpassing the growth rate of villa rentals at 14%. That said, demand for villas remained robust, with a notable uplift of 22% y-o-y in sale prices. In Abu Dhabi, sales prices increased by an average of 7%, while rental rates rose by an average of 4% during the same period. Similar to Dubai, apartments in Abu Dhabi recorded higher rental hikes of 5% compared to villas. However, in terms of sale prices, villas in Abu Dhabi grew by 9% y-o-y.

At a city-wide level, Dubai's residential sales transactions for January to March 2024 recorded a 16% increase in value and a 20% increase in volume compared to the previous year. On the contrary, in Abu Dhabi, transactions experienced a minor drop of 1% in value but an increase of 17% in volume, with more apartment transactions than villas and townhouses compared to the same period last year.

Retail

Dubai

4.8m sq m GLA	→	104k sq m GLA
Total stock		2024 planned deliveries

3% Y-o-Y ↑

Average rental rate in primary and secondary malls

Abu Dhabi

3.1m sq m GLA	→	17k sq m GLA
Total stock		2024 planned deliveries

10% Y-o-Y ↑

Average rental rate in primary and secondary malls

During Q1 2024, approximately 12,000 sq. m. of retail gross leasable area (GLA) was completed in Dubai, keeping the total existing stock largely unchanged at 4.8 million sq. m. Moving forward, it is expected that another 104,000 sq. m. of new retail space will be delivered throughout the remainder of the year. In the capital, no significant retail projects were completed, maintaining a stable total stock of 3.15 million sq. m. However, there are plans to deliver around 17,000 sq. m. of retail GLA in Abu Dhabi within this year.

Due to the limited availability of space within prime super regional malls, local brands and home-grown concepts are focusing their attention to smaller community malls with the aim of targeting more specialised and niche markets. In response to this trend, boutique retail developers are recognising the opportunity and considering the development of small community concepts in prominent locations, specifically tailored to accommodate exclusive brands.

In Dubai and Abu Dhabi, mall owners are proactively adapting to evolving consumer and market trends, such as the growing demand for experiential concepts, unique F&B outlets, and new fashion offerings. To remain competitive, owners in Dubai are considering refurbishment and redevelopment projects for existing malls, as well as introducing innovative experiential concepts to drive footfall. Meanwhile, in Abu Dhabi, retail developers are prioritising innovation to avoid redundancy in the tenant mix and enhance the overall retail experience. Additionally, both markets are aligning with technology and e-commerce trends to deliver enhanced online and offline shopping experiences for customers.

Looking at the performance in the first quarter of 2024, average rents in primary and secondary malls increased by 3% and 10% annually in Dubai and Abu Dhabi, respectively. Moreover, the city-wide vacancy dropped to 12% in Dubai and 21% in the capital during the same period.

Hospitality

Dubai

155k keys	→	5k keys
Total stock		2024 planned deliveries

YT March 2024

Occupancy Rate	82%	↓
ADR's	$226	↑
RevPar's	$185	↑

Source: STR

Abu Dhabi

32.5k keys	→	500 keys
Total stock		2024 planned deliveries

YT March 2024

Occupancy Rate	81%	↑
ADR's	$161	↑
RevPar's	$130	↑

Dubai's hospitality market witnessed the addition of nearly 2,000 keys during Q1 2024, bringing the total to approximately 155,000 keys. These new hotel openings predominantly consisted of 5-star properties located in areas such as Business Bay, Za'abeel, and Port Saeed. Looking ahead, there are plans to introduce an additional 5,000 keys throughout the remainder of the year, encompassing a mix of 4 and 5-star properties. In contrast, Abu Dhabi's hotel supply remained relatively stable at 32,500 keys, and an additional 500 keys are anticipated to be added during the rest of the year.

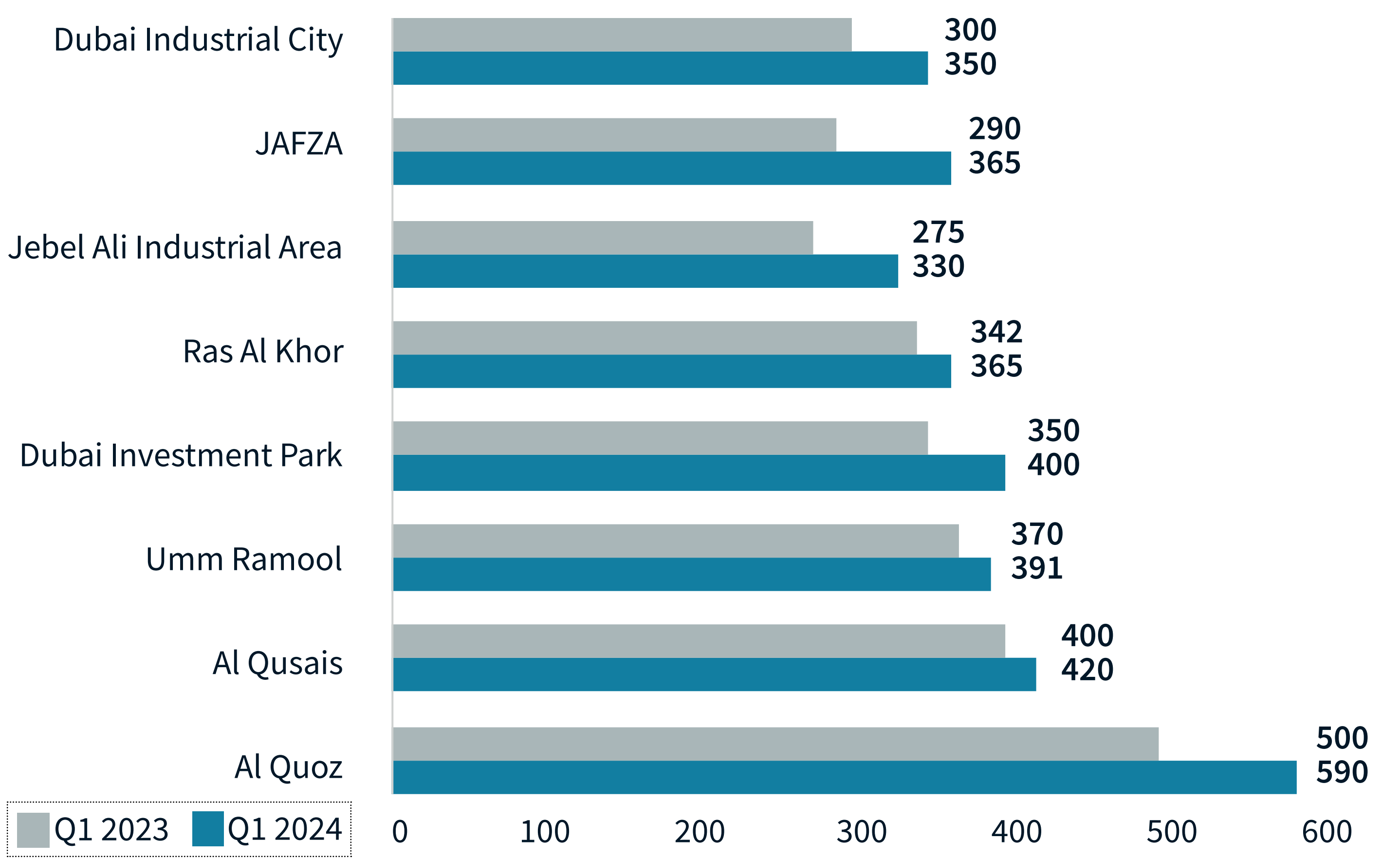
The city-wide occupancy in Dubai reached 82% for the period of year-to-date (YT) March 2024, slightly down from 83% during the same period last year. According to data from Dubai's Department of Tourism (DET), the city welcomed 3.67 million visitors in January-February, reflecting a notable 18% increase compared to the previous year. Western Europe, South Asia and the GCC emerged as the largest source markets, collectively accounting for 53% of the total share. These healthy tourism figures helped sustain a 5% growth in average daily rates (ADR), reaching USD 226. As a result, revenue per available room (RevPar) experienced a 5% y-o-y increase, reaching USD 185.

Abu Dhabi's hotel performance has been influenced by robust tourism demand, a diverse calendar of events, and improved connectivity. For YT March 2024, city-wide occupancy was recorded at 81%, and ADR increased by 8% y-o-y to reach USD 161. Additionally, RevPAR experienced significant growth, rising by 17% to reach USD 130 when compared to the same period last year.

Given the significant presence of luxury hotels, owners and operators in the hospitality industry are aware of the competitive advantage offered by experience-driven developments. Rather than solely focusing on rates and occupancy, operators are investing in revitalising their product offerings to enhance their value propositions. A notable approach in this regard is through partnerships with lifestyle groups, which facilitate the introduction of new concepts and brands, particularly within the highly lucrative F&B segment. By embracing innovation in this aspect, operators can anticipate improvements in their overall bottom line.

Industrial

Average Rental for Warehouses in Q1 2024 vs Q1 2023, Dubai (AED per sq. m. per annum)



Throughout the first quarter of 2024, Dubai's industrial market continued to witness strong demand outpacing available supply in prominent submarkets. These areas are anticipated to attract even greater attention from key market players, potentially resulting in an upward push on rental rates.

Jebel Ali Free Zone (JAFZA) has successfully maintained its position as a well-established free zone for international trade in the UAE. Notably, due to the new India-UAE trade agreement, JAFZA experienced a significant 28% y-o-y increase in the signing of new Indian businesses. Additionally, an upcoming warehouse called Bharat Mart is planned for JAFZA, with a total area exceeding 100,000 sq. m., and is scheduled to open in 2026. The purpose of this warehouse is to promote Indian exports.

Furthermore, plans are underway to establish a digital marketplace that would enable customers to globally purchase goods from the facility. This development, coupled with increased activity, has had a favorable effect on warehouse rents in JAFZA. As a result, warehouse rents in JAFZA witnessed a significant 26% annual increase, reaching an average of AED 365 per sq. m. per annum.

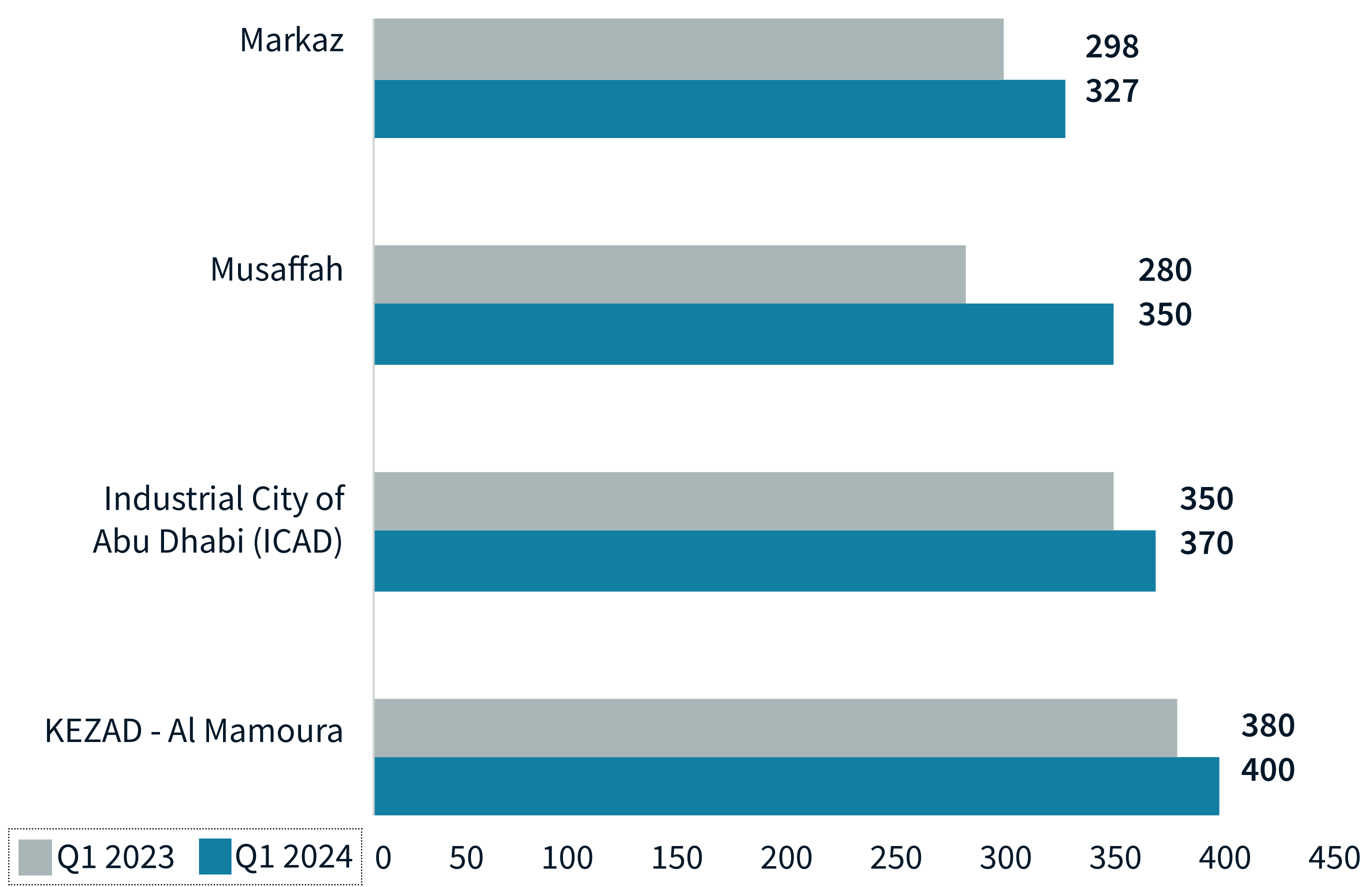
In older areas such as Umm Ramool, Ras al Khor, and Al Qusais, warehouse rents experienced modest increases ranging from 5-7%, with the majority remaining within the expected range. This can be attributed to the scarcity of available land and the limited supply of new investment-grade properties in these locations.

Recognising the growing demand for quality industrial stock, developers are actively addressing the supply shortage through collaboration. A notable example is the recent joint venture between Dubai South and Aldar, aiming to develop Dubai South's Logistics District. The plans for this venture involve the construction of a Grade A build-to-lease logistics facility, encompassing approximately 24,000 sq. m. of gross floor area (GFA), with a targeted completion date of the end of the year.

These initiatives and partnerships are expected to enhance Dubai's industrial market by effectively capturing the increasing demand from various sectors, including third-party logistics, e-commerce, and other relevant industries.

Industrial

Average Rental for Warehouses in Q1 2024 vs Q1 2023, Abu Dhabi (AED per sq. m. per annum)



Abu Dhabi's industrial market sustained robust demand in the first three months of 2024, benefiting from strong growth in the non-oil sector and the expanding e-commerce market. Rental rates across major submarkets experienced a notable increase in the industrial sector, with growing spillover demand from Dubai driven by the limited availability of vacant Grade A spaces in the latter city.

The strategic location and connectivity of industrial areas such as Khalifa Economic Zones Abu Dhabi (KEZAD) and the Industrial City of Abu Dhabi (ICAD) attracted heightened demand from tenants across various categories. To cater to this demand, the KEZAD Group revealed plans to expand warehousing capacity by over 250,000 sq. m. through an investment of AED 621 million. These pre-built industrial and logistics facilities are projected to be completed and operational by the fourth quarter of 2025.

Looking at the rental performance during Q1, warehouse rents in ICAD saw an annual increase of 6%, reaching AED 370 per sq. m. per annum. While in KEZAD, rents rose by 5%, reaching AED 400 per sq. m. per annum. The presence of Grade A supply in KEZAD positions it favourably as a prime location for tenants seeking high-quality warehouse space.

In other industrial areas in the capital, such as Musaffah, average warehouse rents experienced a significant growth of 25% in Q1 to reach AED 350 per sq. m. per annum, when compared to the same period last year. This surge in rents can be primarily attributed to heightened demand fueled by Musaffah's proximity and connectivity to the city center.

According to data provided by Abu Dhabi's Department of Economic Development (ADDED), the emirate witnessed a significant 51% increase in the issuance of new industrial licences last year, totaling 363 licences in comparison to the previous year. Aligned with the UAE's Industrial Strategy, this trend is expected to persist as investments in the sector continue to attract prominent industrial and logistics companies.

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.**

Industrial
Performance
The data on warehouse rentals is derived from a calculation that considers an average of new and renewed leases. These lease records are sourced from various reliable sources, including client interactions, third-party sources, and discussions with market intermediaries. It is important to note that the scope of this report focuses on warehouses larger than 350 sq. m. in size. The rental transactions analysed encompass a range of grade A, B, and C, as well as fitted and purpose-built spaces. The rates for rental contracts longer or shorter than one year are uniformly annualized.

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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