REAL ESTATE MARKET REVIEW

UAE Real Estate Market Review Q2 2024

Activity in the UAE's real estate sector recorded resolute growth in the first half of 2024, however supply constraints are becoming evident.

CBRE RESEARCH
JULY 2024

Activity in the UAE's real estate sector recorded resolute growth in the first half of 2024, however supply constraints are becoming evident

▲ **3.8%**
YoY forecast increase in GDP in 2024

▲ **54.6**
UAE PMI reading in June 2024, down from 55.3 a month earlier

▲ **8.1%**
YoY YTD to June 2024 increase in UAE's RevPAR

▲ **1.7pp**
YoY YTD to June 2024 increase in hotel occupancy rates

▲ **21.1%**
Increase in average residential rents in Dubai

▲ **4.7%**
Increase in prime office rental rates in Dubai

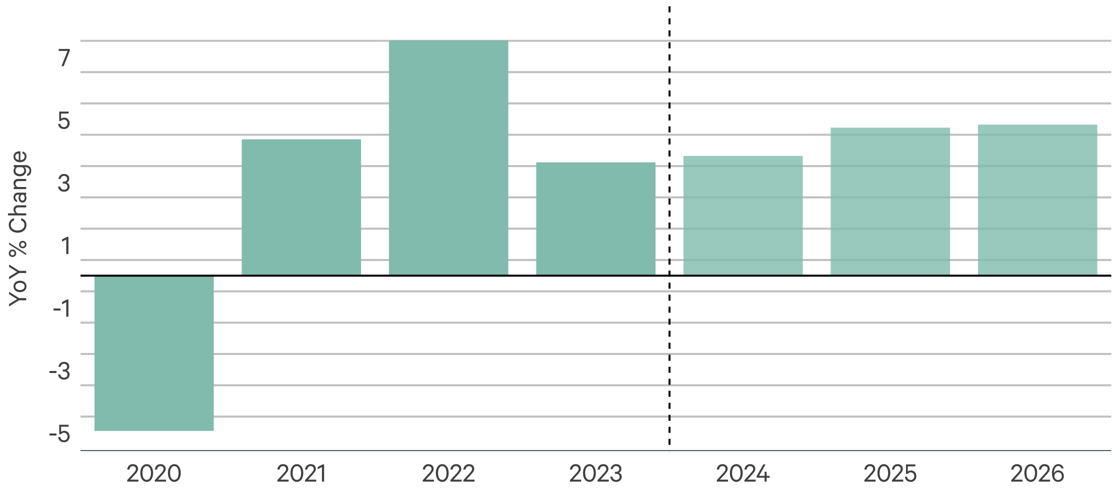
MACROECONOMIC OVERVIEW

- The UAE's GDP is forecast to grow by 3.8% in 2024.
- Its hydrocarbon GDP is expected to record a growth rate of 1.3% in 2024.
- Over this period, the UAE's non-hydrocarbon sector is expected to register a growth rate of 4.6%.
- Headline inflation is expected to reach 2.7% in 2024.

The UAE's GDP is expected to grow by 3.8% in 2024, based on data from Oxford Economics, marginally down from the 3.9% rate of growth forecast in the previous quarter. This slight softening in the growth rate is driven by the continuation of OPEC+ oil supply cuts, where, as a result, the country's hydrocarbon sector is expected to grow by 1.3%, down from the 2.5% growth rate forecast a quarter earlier. Over this period, the non-hydrocarbon sector is expected to register growth of 4.6%, up from the 4.3% forecast published in the previous quarter.

The UAE's Purchasing Managers' Index, which tracks the performance of the non-oil private economy, registered a reading of 54.6 in June 2024, down from 55.3 which was registered a month earlier. Although this reading remains firmly within expansionary territory, it is the

FIGURE 1: UAE, Gross Domestic Product



Source: CBRE Research/ Oxford Economics/ Macrobond

MACROECONOMIC OVERVIEW

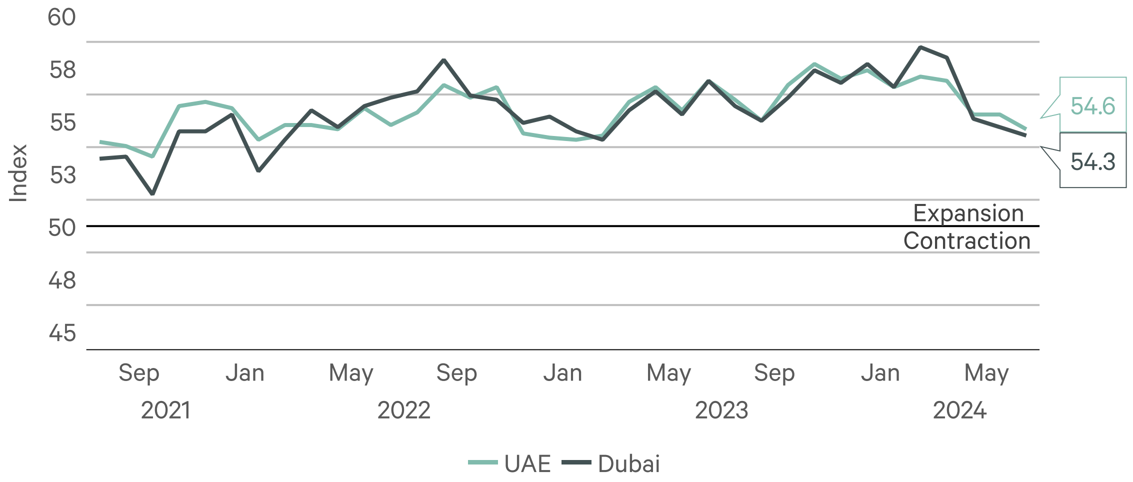
weakest seen in the last 16 months, largely attributable to a moderation in output growth. According to S&P Global, the output growth rate was the lowest registered since the start of 2023 despite the significant rise in business activity. A sharp uptick in new orders level has been witnessed, rising at the fastest pace since March, on the back of the growing demand levels. A substantial increase in backlogs of work has also been reported due to the buildup spurred by the elevated demand levels, the long-lasting effect of April's floods, and geopolitical tensions in the Red Sea impacting supply chains. Over the latest month, employment registered the softest pace of growth in the last five months as cost pressures restricted firms' attempts to increase their capacity.

Dubai's PMI declined from 54.7 in May 2024 to 54.3 in June 2024; this is the weakest reading recorded since February 2023. Despite new orders growing at a robust pace, activity levels registered the slowest growth in over three years. Alongside this, the sharpest rise in input costs seen in the past two years was recorded in June, forcing businesses to increase their prices for the second consecutive month.

Despite the increasingly uncertain global and regional macroeconomic backdrop, the UAE's strong economic position continues to underpin robust levels of inbound investment, and we expect that the current market fundamentals supported by the UAE's strong fiscal position and ease of doing business will continue to prevail over the upcoming period.

> Despite the increasingly uncertain global and regional macroeconomic backdrop, the UAE's strong economic position continues to underpin robust levels of inbound investment.

FIGURE 2: UAE, Purchasing Managers' Indices



Source: CBRE Research/ Macrobond

FIGURE 3: UAE, Key Economic Indicators, YoY % Change

	2020	2021	2022	2023	2024	2025	2026
GDP	-5.0%	4.4%	7.5%	3.6%	3.8%	4.8%	5.1%
Hydrocarbon GDP	-3.8%	-1.1%	8.5%	-3.1%	1.3%	7.2%	7.8%
Non-Hydrocarbon GDP	-5.4%	6.5%	7.1%	6.2%	4.6%	4.1%	4.2%
Inflation	-2.1%	0.2%	4.8%	1.6%	2.7%	2.2%	2.0%

Source: CBRE Research/ Oxford Economics.

ABU DHABI OFFICES

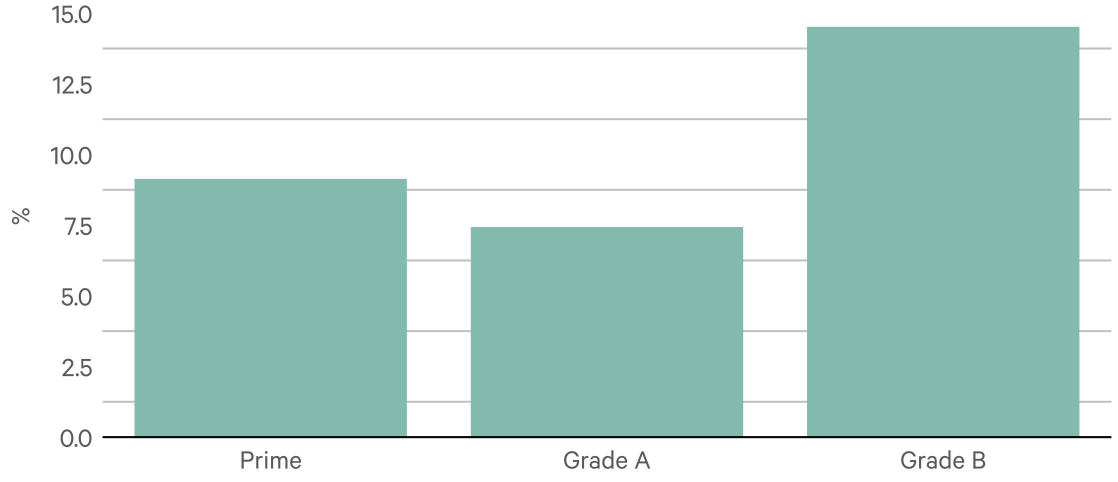
Leasing activity in Abu Dhabi's occupier market remained steadfast over the second quarter of the year, where the total number of rental registrations stood at 9,942, marking an increase of 15.9% compared to the year prior. This has been largely underpinned by a 37.3% increase in new rental contracts registered, whereas renewed registrations declined by 10.5%.

The vast majority of occupational demand within Abu Dhabi's occupier market remains tied to government and semi-government-related entities, primarily in on-shore locations. Over the past quarter, a number of these entities have consolidated their occupational footprint, which is expected to provide additional availability to the market in the short run. Demand from the private sector has also been on the rise, where an increasing number of businesses across several industries have been looking to increase their presence within the capital, for some global corporate occupiers, this represents their first port of entry to the region. However, the limited number of developments in the pipeline vis-à-vis the growing demand levels for high-quality and affordable assets has resulted in an evident shortage of such stock within both the on-shore and off-shore markets, with institutional-quality assets being at or very close to full occupancy. The current market fundamentals have led to an increasingly landlord-favoured market, where incentives remain relatively constrained.

On the back of these heightened demand levels, the average occupancy rate of institutional-grade assets that CBRE monitors increased from 88.0% in Q2 2023 to 94.7% in Q2 2024. As a result of the current market backdrop and heightened levels of absorption, rental performance within Abu Dhabi's office market continued to improve, where in the second quarter of 2024, average rents within the Prime, Grade A, and Grade B segments of the market registered year-on-year increases of 9.1%, 7.4%, and 14.5%, respectively.

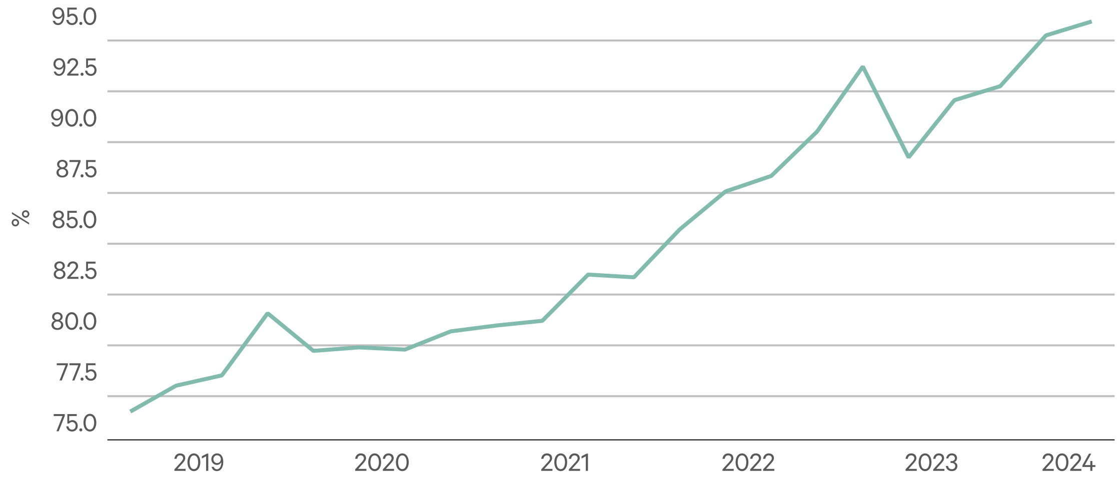
Given the extent of demand and the lack of upcoming developments in the immediate future, performance within Abu Dhabi's occupier market is expected to remain robust in the second half of the year. Prime and Grade A assets are expected to continue to outperform the broader market, particularly as demand for such stock continues to significantly outweigh available supply.

FIGURE 4: Abu Dhabi, Office Rents, YoY % Change to Q2 2024



Source: CBRE Research

FIGURE 5: Abu Dhabi, Offices, Average Occupancy Rate, %



Source: CBRE Research

DUBAI OFFICES

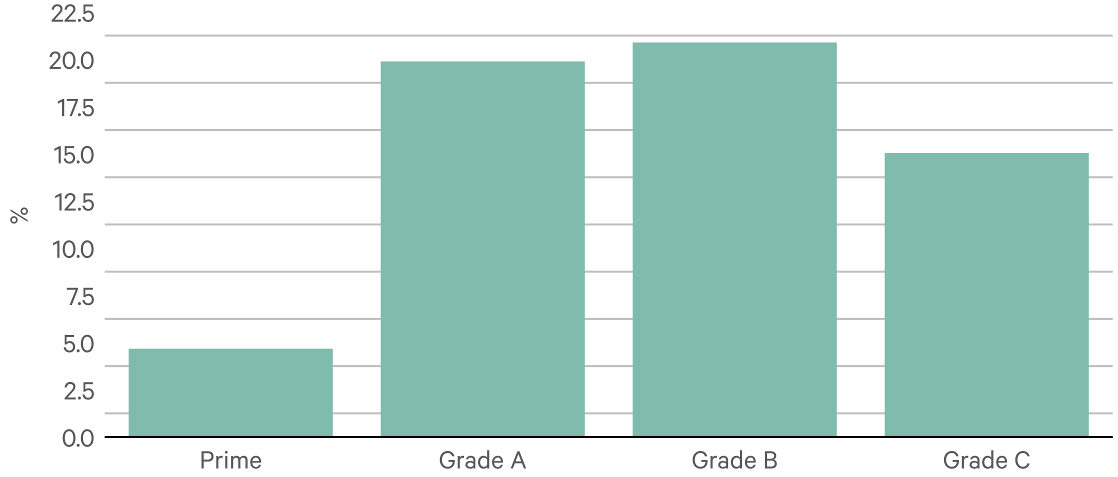
Leasing activity in Dubai's occupier market has seen a significant surge during the second quarter of 2024, where the number of rental registrations increased by 38.4% compared to the previous year, reaching a total of 41,495, with 95.3% of these transactions being below 2,000 square feet of space. On a headline level, this growth has been primarily driven by a 50.7% year-on-year increase in the number of new contracts registered, reaching a total of 31,642 in Q2 2024. Over this period, the number of renewed registrations stood at 9,853, marking an increase of 9.7% from the previous year.

Activity levels originated from a wide range of sectors, and Free Zone locations have been the focus of occupier demand. Dubai's commercial occupier market continues to defy the somewhat uncertain global backdrop, where we are continuing to see a rising number of new and existing incumbents looking to establish and increase their headcount in Dubai. However, the limited availability of quality assets and growing demand levels continue to support a very much landlord-favoured market. The current market dynamics are placing further strains on corporates, particularly international firms, which sometimes may be challenged to adhere to the tight decision timelines set by landlords. This scarcity of vacant quality stock and the continuing trend of flight to quality amidst hybrid work policies also means that some firms are looking into reducing their total occupied space. Flexible and serviced office operators have also seen strong levels of demand over this quarter, notably from SMEs, given the elevated level of flexibility and tailored solutions provided by such providers.

The average occupancy rate of institutional-grade assets that CBRE tracks reached 91.4% in Q2 2024, marginally down from 91.5% a year earlier. This slight softening in the occupancy level has been largely attributable to new stock coming into the market. That being said, despite this very slight moderation in headline occupancy, rental growth remained robust over this quarter, with average Prime, Grade A, Grade B, and Grade C rates registering respective increases of 4.7%, 19.9%, 20.9%, and 15.0% compared to the previous year. As at Q2 2024, average rents within the Prime, Grade A, Grade B, and Grade C market segments stood at AED 256, AED 198, AED 165, and AED 133 per square foot per year, respectively.

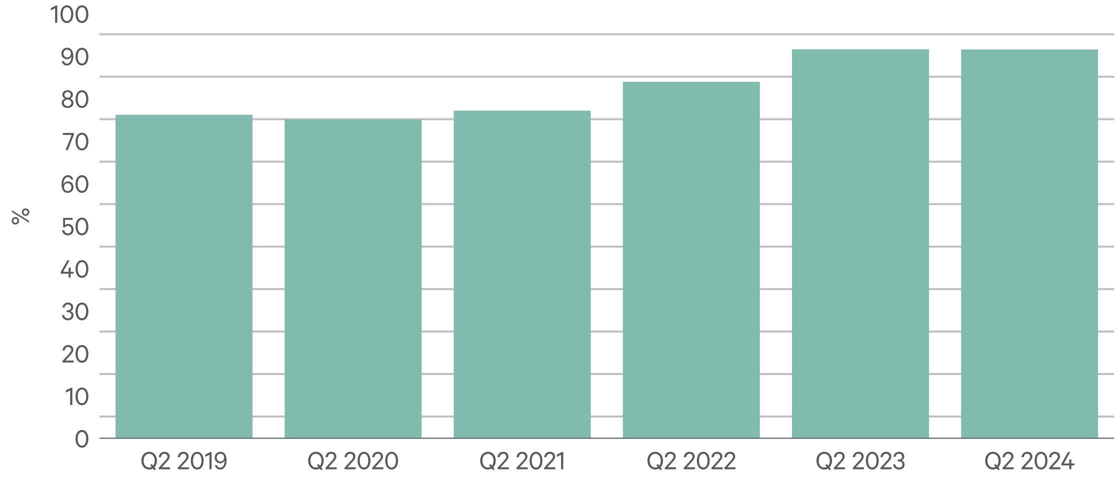
Looking ahead, performance within Dubai's occupier market is expected to remain steadfast, particularly given the limited number of developments in the pipeline and new supply delivered increasingly being pre-leased.

FIGURE 6: Dubai, Office Rents, YoY % Change to Q2 2024



Source: CBRE Research/ Macrobond

FIGURE 7: Dubai, Offices, Average Occupancy Rate, %



Source: CBRE Research

ABU DHABI RESIDENTIAL

In the second quarter of 2024, a total of 2,108 residential sales transactions were recorded in Abu Dhabi, registering a marked decline of 22.8% compared to a year earlier. This slowdown in activity levels has been primarily driven by a decrease of 41.9% in off-plan transactions, whilst secondary market transactions rose by 38.7%. In the first half of the year, the total volume of transactions stood at 5,104, up by 1.8% from the year prior. Over this period, despite secondary market sales increasing by 38.7%, off-plan sales registered a drop of 10.7%.

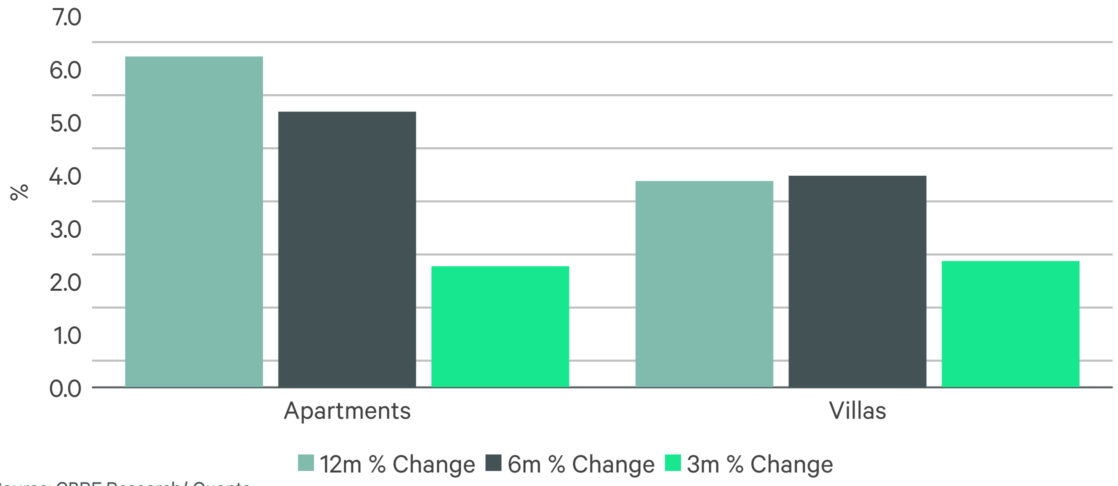
In the second quarter of 2024, Abu Dhabi's average apartment prices registered a year-on-year increase of 6.2%, and average villa prices grew by 3.9% over the same period. Based on sales transactions that occurred in Q2 2024, average apartment prices reached AED 13,405 per square metre, and average villa prices reached AED 12,070 per square metre.

In Abu Dhabi's rental market, in the second quarter of 2024, the total number of rental registrations stood at 41,368, down by 9.5% compared to the previous year. Over this period, new contracts registered dropped by 0.4% and renewed registration declined by 14.4%. In the year to date to June 2024, a total of 87,467 rental contracts were registered in Abu Dhabi's residential market, marking a decline of 10.4% year-on-year. This slowdown has been underpinned by a 1.4% decline in new registrations and a 15.2% drop in the number of new contracts registered.

Abu Dhabi's average apartment rents increased by 6.6% in Q2 2024 compared to a year earlier, and average villa rents grew by 2.5%. Based on rental registrations, as of Q2 2024, average annual apartment and villa rents in Abu Dhabi stood at AED 66,375 and AED 166,261, respectively.

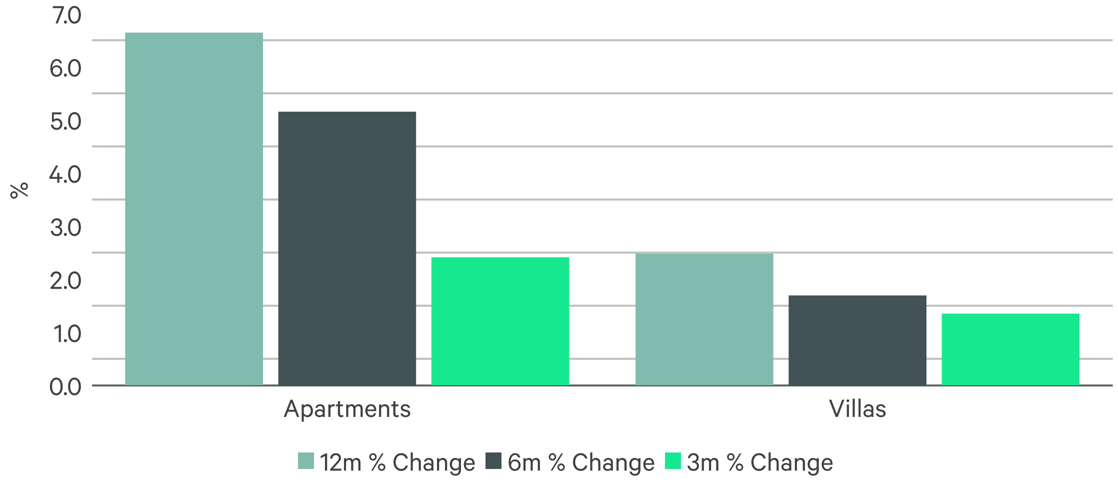
In the first half of the year, new supply delivered in Abu Dhabi totalled 1,445, with 88.7% of this stock completed in Al Maryah Island and Yas Island. Over the remainder of the year, a further 6,791 units are scheduled for delivery, with 42.3% of this upcoming stock being in Al Sowwah and Yas Island.

FIGURE 8: Abu Dhabi, Residential Price Performance, % Change to Q2 2024



Source: CBRE Research/ Quanta

FIGURE 9: Abu Dhabi, Residential Rents Performance, % Change to Q2 2024



Source: CBRE Research/ Quanta

DUBAI RESIDENTIAL

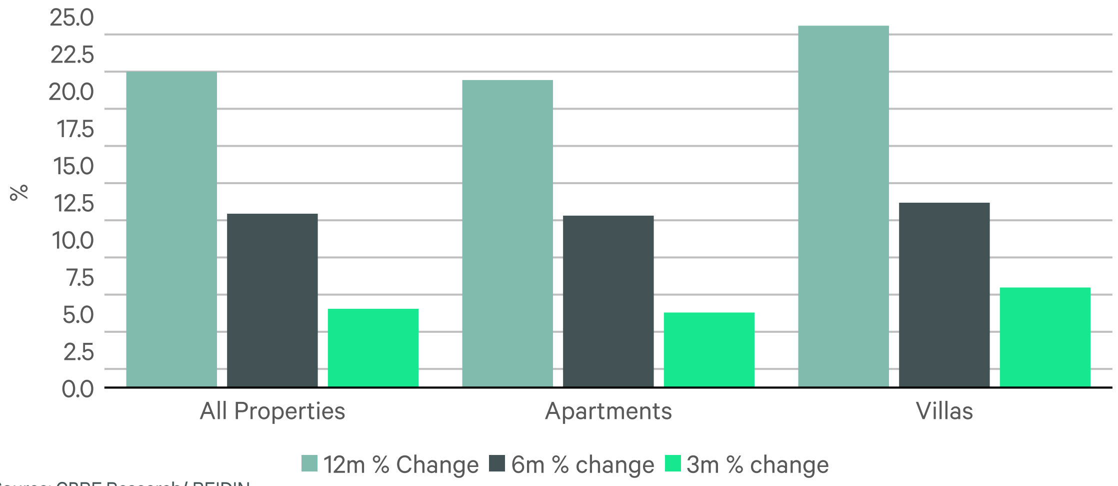
Strong performance levels continue to be seen in Dubai's residential market, where in the year to June 2024, average prices registered an increase of 21.3% compared to the year prior, up from the 20.1% growth registered a month earlier. This increase has been underpinned by a rise of 20.7% in average apartment prices and a 24.3% increase in average villa prices. As at June 2024, average apartment and villa prices reached AED 1,561 and AED 1,896 per square foot, respectively. Palm Jumeirah registered the highest sales rates per square foot in both the apartment and villa segments of the market, with average rates reaching AED 2,831 and AED 5,153, respectively.

The rate at which rents continue to grow remained unwavering, where average residential rents grew by 21.1% in the year to June 2024. This increase has been driven by a 22.2% growth in average apartment rents and a 12.7% increase in average villa rents. As at June 2024, the average apartment and villa rents stood at AED 127,969 and AED 354,512 per annum, respectively. Over this period, the highest apartment and villa annual rents were respectively found in Palm Jumeirah, with asking rents standing at an average of AED 279,826, and in Al Barari, with rents reaching an average of AED 1,344,844.

Based on data from the Dubai Land Department, in the first half of the year, a total of 299,564 rental contracts were registered, up by 52.5% from the 2019 figure, and 5.8% from the same period in 2023. This year-on-year increase has been primarily supported by an 11.9% increase in the total number of renewed contracts registered, whilst new registrations declined by 3.7%, where we are continuing to see tenants choosing to renew their existing leases as opposed to leasing new units within which would almost certainly be at significantly higher costs.

On the supply front, in the year to date to Q2 2024, 12,249 units have been delivered in Dubai, where 44.4% of these units were completed in Meydan One, Al Furjan, and Jumeirah Village Circle. In the second half of the year, a total of 40,582 units are scheduled for delivery, where 29.9% of this upcoming stock is expected to be completed in District Seven, Business Bay, and Damac Lagoons; however, as per historical norms, we expect some of these completions to be pushed into the following year.

FIGURE 10: Dubai, Residential Price Performance, % Change to June 2024



Source: CBRE Research/ REIDIN

FIGURE 11: Dubai, Residential Rents Performance, % Change to June 2024

Source: CBRE Research/ REIDIN

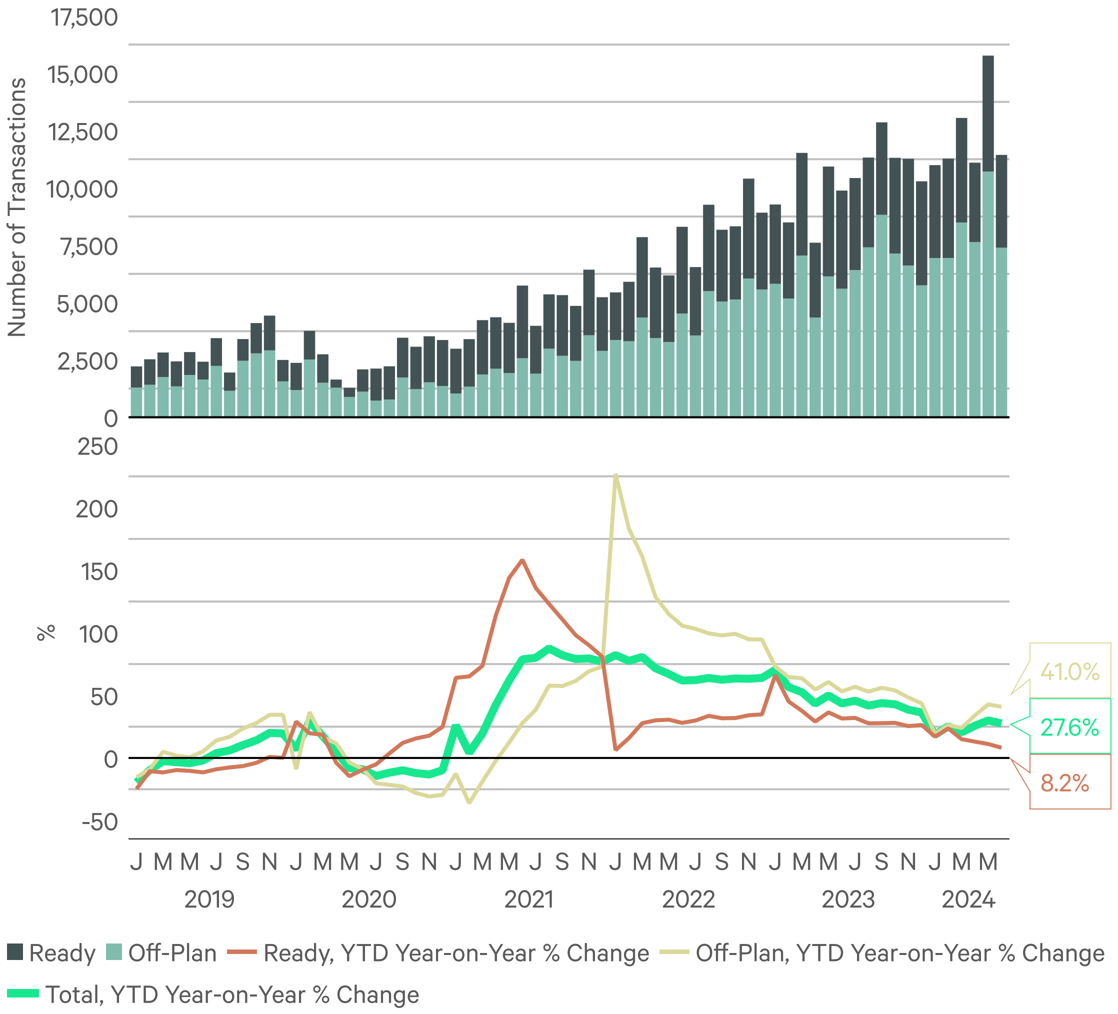
DUBAI RESIDENTIAL

In June 2024, the number of transactions in Dubai's residential market totalled 11,438, marking an increase of 15.8% compared to the year prior. This growth has been underpinned by a 31.9% increase in off-plan transactions, whilst secondary market transactions registered a decline of 5.4%. In the year to date to June 2024, a total of 73,618 residential transactions have been registered in Dubai, the most on record during the first half of a year, while registering a year-on-year increase of 27.6%. Off-plan sales increased by 41.0% throughout the same period, and secondary market sales rose by 8.2%.

Sales volumes of residential properties above AED 5 million and AED 10 million in Dubai continued to increase, recording totals of 5,727 and 2,014 in the year to date to June 2024, registering respective increases of 22.5% and 41.5%. Off-plan sales have primarily supported activity levels, accounting for 63.1% and 65.5% of total transactions recorded in both market segments. That being said, this has not been the case in the traditional prime and super-prime locations* that CBRE tracks. In the first half of the year, sales transactions within the prime segment of the market registered a decline of 11.7% compared to the previous year, reaching a total of 919 transactions. Within the super-prime market segment, a total of 454 transactions were recorded in the year to date to June 2024, down by 18.9% from a year earlier. These slowdowns have been driven by declines in both the off-plan and secondary market sales owing to the limited availability of stock within the higher-end segment of the market that continues to impact activity levels. Looking at sales rates, as at Q2 2024, average prime prices stood at AED 4,784 per square foot, up by 13.8% from a year earlier, and average super-prime prices reached AED 5,127 per square foot, registering a year-on-year increase of 13.4%.

Performance within Dubai's residential market is expected to remain strong over the upcoming period. In both the sales and rental markets, we expect that rates will continue to rise, however we will not see this happen at the same pace, particularly as the market has started showing some signs of stability, where in the first half of the year, rates of 88.1% of sales listings and 73.8% of rental listings have remained unchanged, up from 79.6% and 72.9% over the same period a year earlier.

FIGURE 12: Dubai, Residential Transactions



Source: CBRE Research/ REIDIN

*Notes: Prime and super-prime areas are defined as follows: Downtown Dubai, Emirates Hills, Jumeirah Bay Island, Palm Jumeirah and District One. Prime properties refer to properties sold in these areas for more than AED 5m, and super-prime properties are those sold for more than AED 10m.

UAE HOSPITALITY

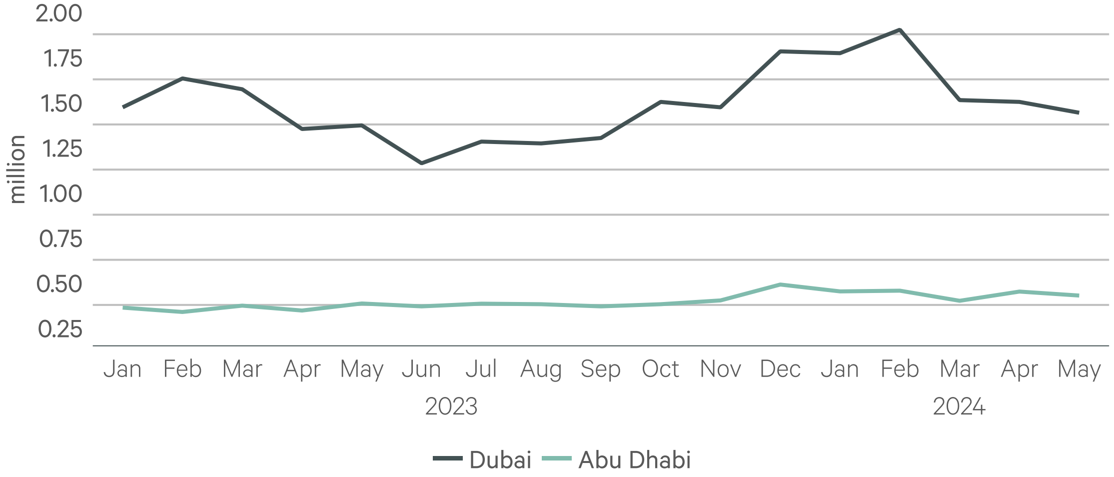
On a global level, in the year to date to June 2024, the number of daily flights reached an average of 125,004, up by 10.0% compared to the year prior. Additionally, in the year to date to May 2024, based on data from IATA, the Passenger Load Factor (PLF) stood at 81.8%, registering an increase of 1.6% compared to the previous year. The available seat kilometers (ASKs) grew by 12.4% over this period.

In Abu Dhabi, the number of hotel guests surged to 2.18 million in the year to date to May 2024, registering a 21.4% year-on-year growth. Over this period, the number of international visitors in Dubai increased by 9.9%, reaching a total of 8.12 million.

These strong levels of visitation continue to underpin the robust performance within the UAE's hospitality market. Year-on-year, in the year to date to June 2024, the average occupancy rate across the country registered an increase of 1.7 percentage points, where now the majority of locations have surpassed their 2023 occupancy levels. Over this period, the UAE's ADR increased by 5.8%, driven by the rising ADR levels in Abu Dhabi, Ras Al Khaimah, Dubai, Sharjah, Ajman, and Fujairah, which recorded growth rates of 12.3%, 10.7%, 4.6%, 3.9%, 1.7%, and 0.6%, respectively compared to the year prior. Accordingly, we have seen RevPARs within these locations register respective increases of 24.0%, 10.5%, 4.7%, 11.5%, 2.9%, and 15.0% over the same period.

Although performance was expected to soften during the summer, the market continued to show resilience. In the second half of the year, a marked growth in the sector's KPIs is anticipated due to a number of major upcoming events, which are expected to continue driving the strong visitation levels.

FIGURE 13: Abu Dhabi and Dubai Visitation Levels



Source: CBRE Research/ Department of Culture and Tourism Abu Dhabi/ Dubai Department of Economy and Tourism

FIGURE 14: UAE, Hospitality Market, KPIs, YoY % Change

	Year to Date - June 2024 vs June 2019			Year to Date - June 2024 vs June 2023		
	Occ PP Change	ADR % Change	RevPAR % Change	Occ PP Change	ADR % Change	RevPAR % Change
UAE	4.0%	23.2%	29.9%	1.7%	5.8%	8.1%
Abu Dhabi	5.7%	26.5%	36.5%	7.4%	12.3%	24.0%
Dubai	2.9%	20.4%	25.0%	0.1%	4.6%	4.7%
RAK	0.7%	5.9%	6.9%	-0.2%	10.7%	10.5%
Sharjah	6.4%	24.1%	35.6%	5.1%	3.9%	11.5%
Fujairah	16.3%	9.4%	41.3%	9.1%	0.6%	15.0%
Ajman	-	-	-	1.0%	1.7%	2.9%

Source: CBRE Research/ STR Global

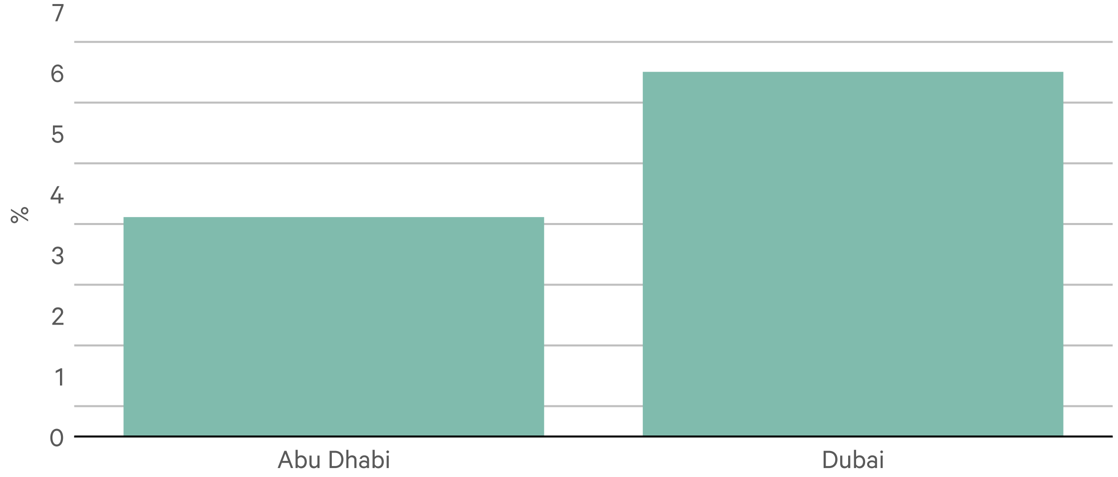
UAE RETAIL

In Dubai's retail market, in the second quarter of the year, the total number of retail rental registrations stood at 17,509, registering a marginal increase of 0.1% compared to the previous year. Over this period, renewed rental contracts increased by 4.4%, while new registrations declined by 8.6%. Alongside the Food and Beverage sector, which remains the largest source of occupier demand in Dubai, interest from international licensed retailers has been on the rise, where we are seeing an increasing number of new and existing market players looking to expand their footprint within Dubai's core locations. Demand remains centred towards prime assets; that being said, the lack of availability of such stock continues to limit activity levels. To offset this and cater to this rising demand, a number of new schemes and expansion plans have been recently announced, including but not limited to the Dubai Mall Expansion, which is expected to add to the market around 240 luxury stores and Food and Beverage outlets.

In the second quarter of 2024, on a headline level, activity levels in Abu Dhabi's retail market were subdued, where the total number of rental registrations declined by 10.2% compared to the prior year, reaching a total of 7,048. Although new rental contracts registered recorded a year-on-year increase of 13.8%, renewed rental registrations declined by 20.5% over this period.

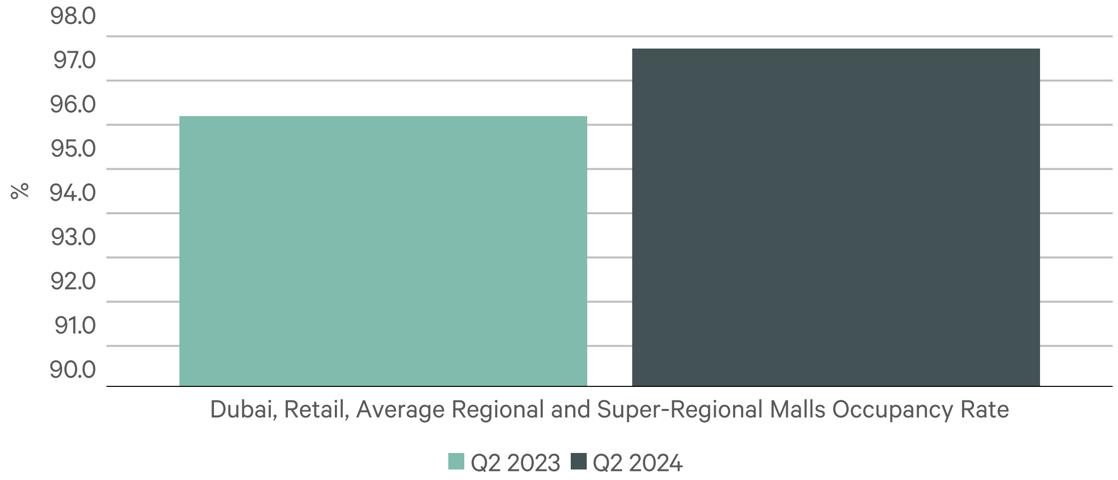
Rental performance remained robust in both markets during the second quarter of 2024. Average retail rents in Abu Dhabi increased by 3.6% from the previous year to stand at an average of AED 2,150 per square metre, and average rents in Dubai increased by 6.0% year-on-year to reach an average of AED 500 per square foot. Moving forward and given the prevailing market fundamentals, additional increases in rental rates are expected. High-quality assets are expected to continue to capture a significant share of occupier demand, and with both markets lacking the availability of such stock, we will likely see rates maintain their upward trajectory.

FIGURE 15: UAE, Retail Rents, YoY % Change to Q2 2024



Source: CBRE Research/ Macrobond

FIGURE 16: Dubai, Retail, Average Regional and Super-Regional Malls Occupancy Rate, %



Source: CBRE Research

UAE INDUSTRIAL

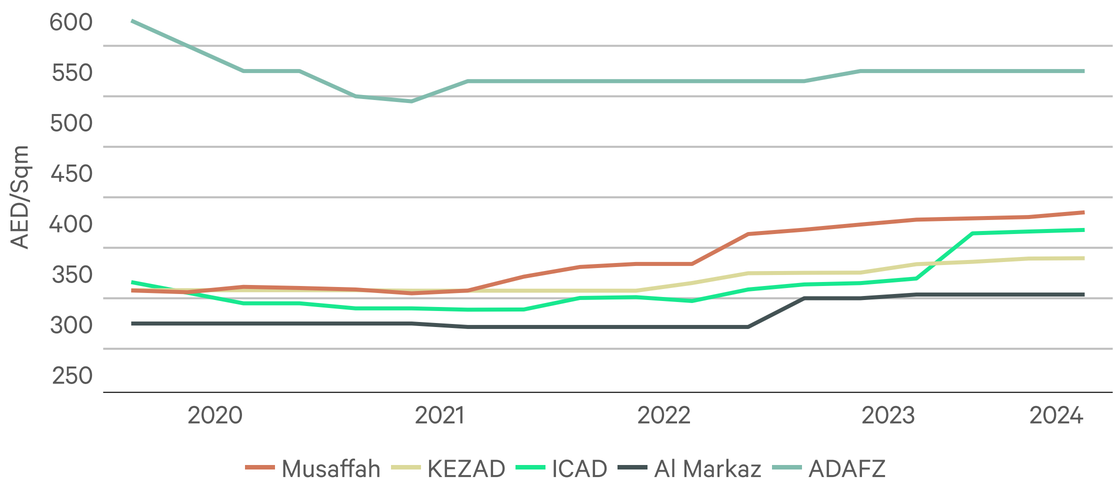
Activity levels within the UAE's industrial and logistics sector remained somewhat subdued in Q2 2024. The lack of availability of quality assets continues to limit market activity, and as a result, we are seeing occupiers compelled to accept landlords' terms with incentives being largely limited.

In Abu Dhabi, the total number of rental registrations declined by 4.1% compared to the year prior. Over this period, new registrations increased by 3.1%, whilst renewed contracts registered decreased by 8.4%. The manufacturing sector remains the largest source of occupier activity in Abu Dhabi. The key demand drivers within the capital continue to be competitive power and labour costs. To increase the existing capacity, several developers have started to undertake the construction of new stock in both off-shore and on-shore locations. However, even with these developments coming online, supply will continue to lag behind demand.

In Dubai's industrial and logistics market, the total number of rental registrations stood at 2,394 in Q2 2024, marking an increase of 2.5% from the previous year. This growth has been underpinned by a 3.0% rise in new registrations and a 2.3% rise in renewed rental contracts registered over the same period. The depleted stock levels have led many incumbents to renew their existing leases and commit to longer lease terms to ensure certainty. Whilst there are significant development opportunities within the market, the lack of availability of serviced lands remains a major obstacle to future developments.

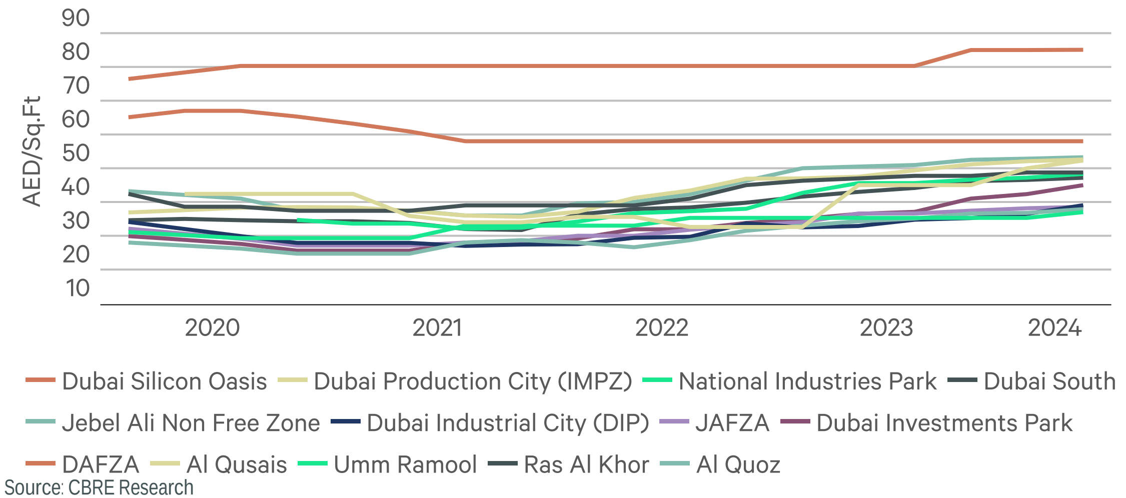
In Q2 2024, rents in Abu Dhabi's industrial and logistics market increased by 4.7% compared to the year prior, standing at an average of AED 409 per square metre, and in Dubai, average rents registered a growth of 10.6% year-on-year to reach AED 45 per square foot. The fundamentals underpinning both markets are expected to continue to drive performance in the second half of the year. With demand continuing to outpace supply, and future supply deliveries remaining relatively limited, rents are set for additional growth over the upcoming period, albeit not at the same pace, whilst new institutional-grade assets are expected to reach unprecedented levels.

FIGURE 17: Abu Dhabi, Industrial Rents, AED/SQM



Source: CBRE Research

FIGURE 18: Dubai, Industrial Rents, AED/SQ.FT.



Source: CBRE Research

Contacts

Middle East

Taimur Khan
Head of Research
+971 52 281 6953
taimur.khan@cbre.com

Tatiana El Bazi
Senior Analyst
+971 52 414 6791
tatiana.elbazi@cbre.com

Nick Carlile
Advisory & Transaction Services
+971 55 220 8391
nick.carlile@cbre.com

Lindsay McQuillan
Head of Property Management
+971 52 640 9532
lindsay.mcquillan@cbre.com

Daniel McCulloch
Head of Valuation
+971 50 656 8325
daniel.mcculloch@cbre.com

Harish Nair
Head of MENA Consulting
+966 11 254 9777
harish.nair@cbre.com

Ali Manzoor
Head of Hotels & Tourism
+971 58 149 2583
ali.manzoor@cbre.com

Scott Keaney
Head of Project Management
+971 52 640 9525
scott.keaney@cbre.com

Inci Gecekusu
Head of Marketing & Communications
+971 52 100 5122
inci.gecekusu@cbre.com

Global Research

Richard Barkham
Global Chief Economist, Head of Global Research & Head of Americas Research
richard.barkham@cbre.com

Henry Chin, Ph.D.
Global Head of Investor Thought Leadership & Head of Research, Asia Pacific
henry.chin@cbre.com.hk

Abhinav Joshi
Head of Research, India, Middle East & North Africa
abhinav.joshi@cbre.co.in