Retail Market Dynamics

Research
United Arab Emirates
Q2 2025

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Contents

Key trends

1

New entrants expand search

- Combination of higher rents and limited availability in prime locations has pressed new market entrants to revise preferences and seek opportunities in secondary locations.

2

Change in F&B trends

- Demand for local concepts remained strong, focusing on casual and upper-casual dinning options. Traditional fast-food concepts have noted a decline in popularity as consumer preferences evolve.

3

E-commerce look to physical stores

- E-commerce brands are expanding into physical stores that serve dual purposes; showrooms where customers can experience products hands-on, and micro-fulfilment centres that enable fast local deliveries and pickup options.

4

Abu Dhabi's growing domestic demand

- There is strong demand for retail assets in residential communities, with occupiers particularly focused on convenience-centred support retail for daily needs. Premium destinations like Saadiyat, Al Maryah and Yas Islands that continue to attract international brands and F&B concepts.

By the numbers

8.13 million
Existing inventory (sq. m)
Dubai & Abu Dhabi

98,000
Future stock (sq. m) - 2025
Dubai & Abu Dhabi

7.5%
Dubai vacancy

9.0%
Abu Dhabi vacancy

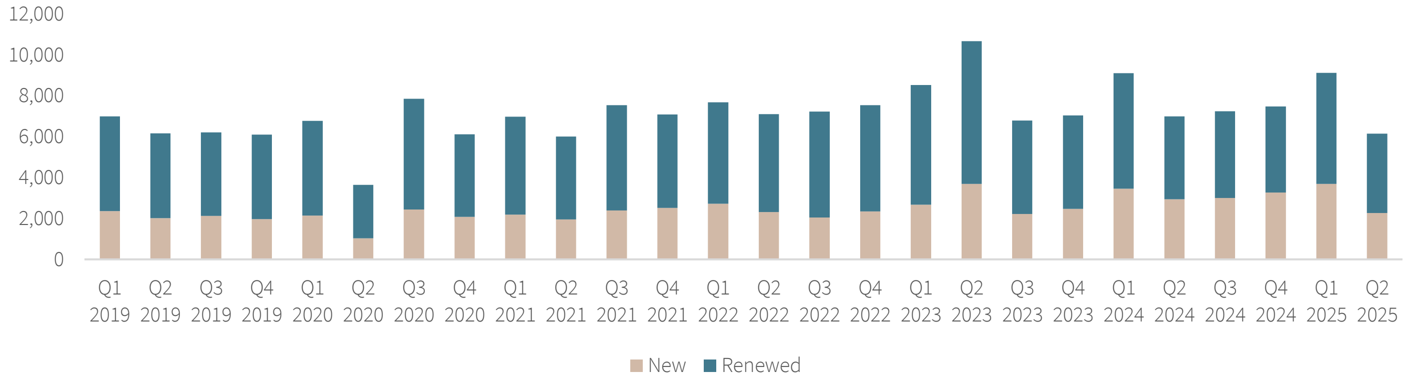
AED 826
Dubai Prime Rent (sq. ft)

Commentary

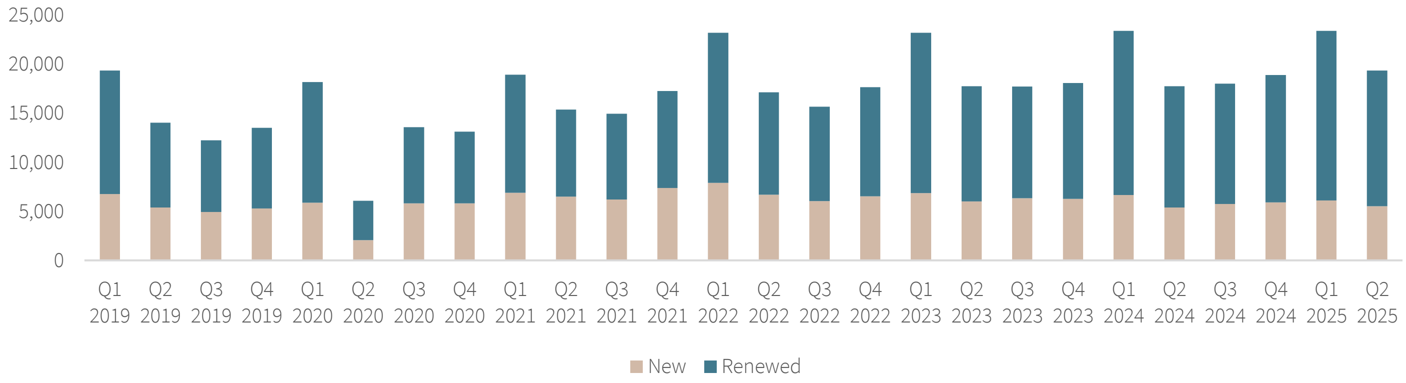
- In Q2 2025, Abu Dhabi saw 6,145 rental contract registrations, down 12.1% from Q2 2024. This decrease has mainly stemmed from fewer new contract registrations. Retailers are choosing to renew existing leases rather than expand, due to limited space availability and minimal upcoming supply in the market.
- Dubai's retail sector showed strong momentum in the second quarter, with overall contract registrations rising by 9.0% compared to the same period last year. This growth was driven by increases in both segments of the market - new contract registrations grew by 2.3%, while renewal contracts saw a more substantial increase of 11.9% year-on-year. The dual growth in both new and renewal contracts highlights Dubai's robust retail landscape. The modest increase in new contracts suggests that the market continues to attract fresh retailers looking to establish a presence in the city. Meanwhile, the more significant rise in renewal contracts demonstrates that existing retailers are finding value in maintaining their current locations.

Rental Contract Volumes

Abu Dhabi



Dubai



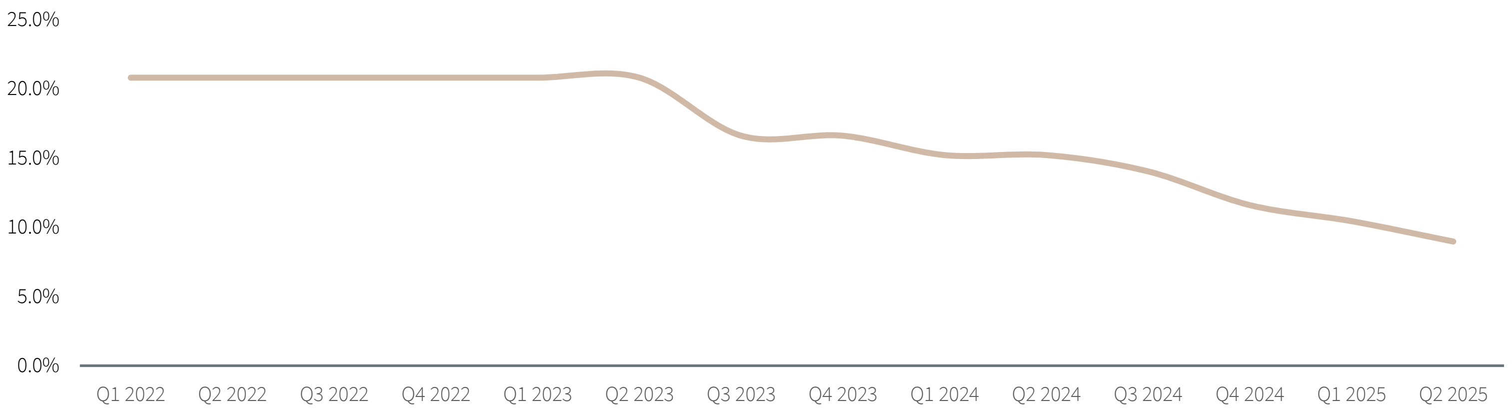
Source: Quanta, REIDIN

Commentary

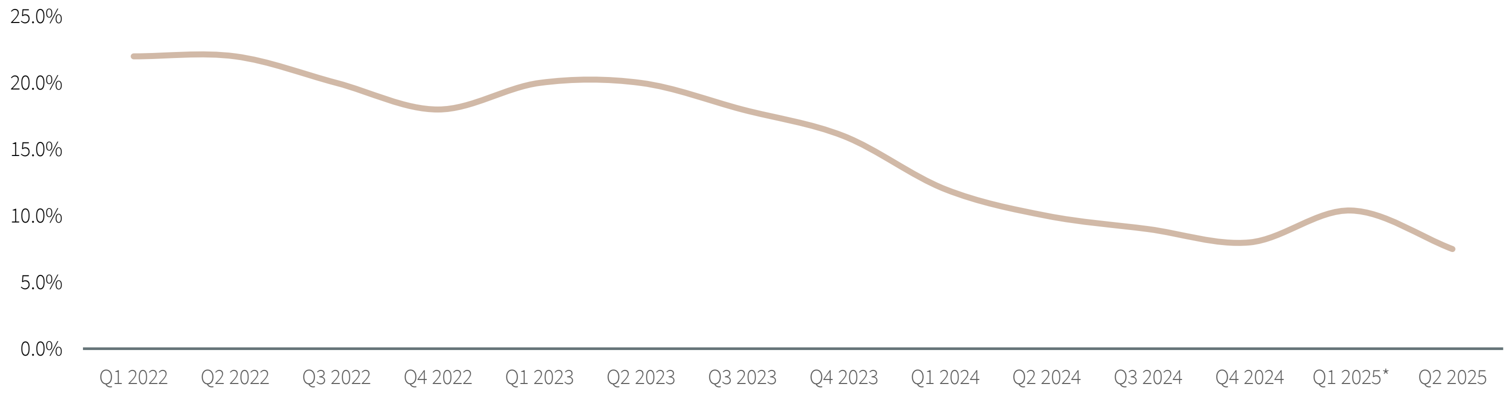
- Abu Dhabi's retail market remained strong with high demand for retail space, bringing the vacancy rate down to around 9.0% in Q2 this year. This improvement came from both steady demand and limited new retail space entering the market. These favourable conditions were likely to continue until significant new retail developments are delivered, which could then shift the balance between supply and demand.
- In Q2, Dubai's retail market performance varied by asset type. Prime super regional malls outperformed, with vacancy registering at 3.1%, demonstrating healthy demand. Super regional and regional malls tracked inline with overall market trends but showed comparatively elevated vacancy rates of 10.4% and 9.3% respectively. Convenience and neighbourhood retail centres maintained strong positions, with 5.0% and 9.2% vacancy rates, respectively, drawing consistent foot traffic from their surrounding residential catchments.

Vacancy Rates

Abu Dhabi, Citywide



Dubai, Citywide



Source: JLL Research, 2025

*JLL has enacted a methodological update in calculating retail vacancy rates which has resulted in a slight uptick for Q1 figures, which should not be interpreted as indicative of actual market conditions.

Commentary

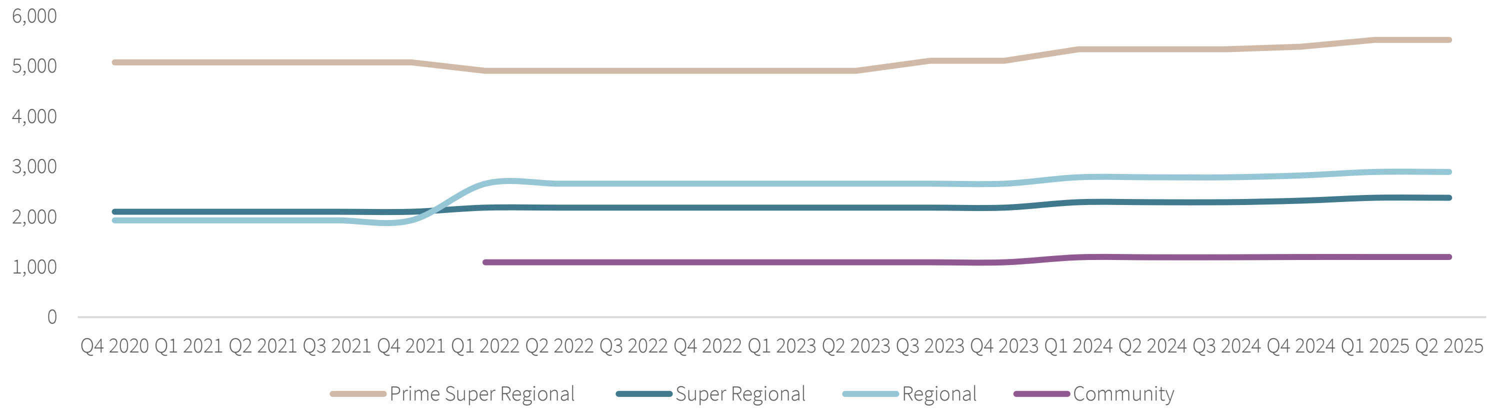
- Abu Dhabi's retail market performance remained relatively stable in the second quarter of 2025. Prime super regional rents climbed by 3.4% compared to last year, and now sit at AED 5,524 per sq. m. Both super regional and regional malls also improved with 3.9% and 3.8% increases in their respective rental rates. Community malls held steady with a slight 0.5% bump in rents from the previous year.

- In Dubai, the trajectory of retail rents remained generally positive throughout the second quarter, with increases noted across all major asset types. Prime super regional rents saw substantial growth of 15.1%, reaching AED 826 per sq. ft., while super regional mall rents increased by 7.4%, averaging around AED 211 per sq. ft.

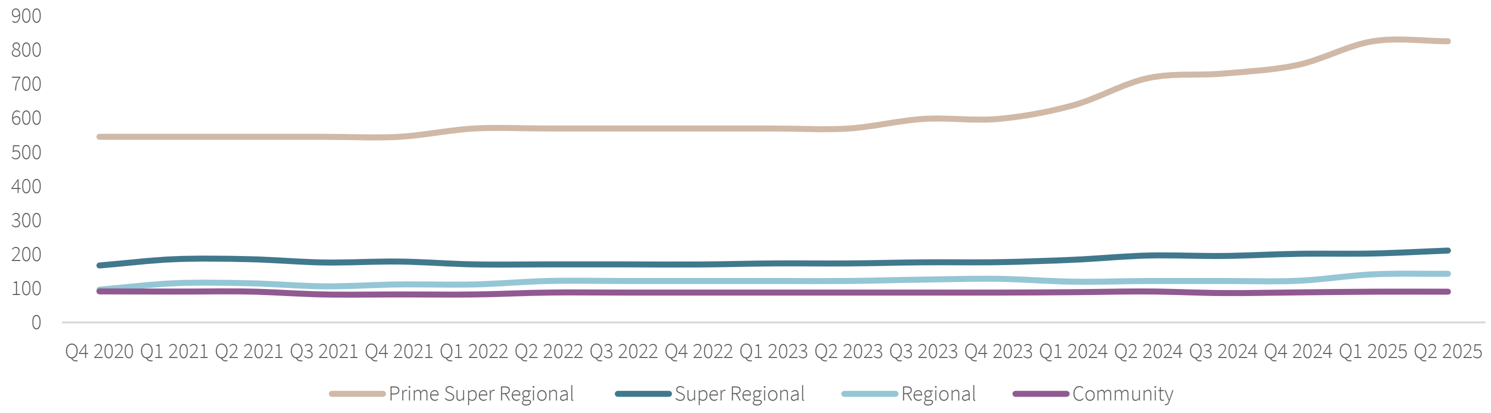
- The two-tiered market dynamic continues to strengthen, with top-tier malls attracting premium rates due to their superior foot traffic, tenant mix, and overall shopping experience. This gap reflects retailers' willingness to pay premium prices for high-performing locations while being more price-sensitive for less prominent developments.

Rental Rates

Abu Dhabi, AED/SQM



Dubai, AED/Sq. Ft.



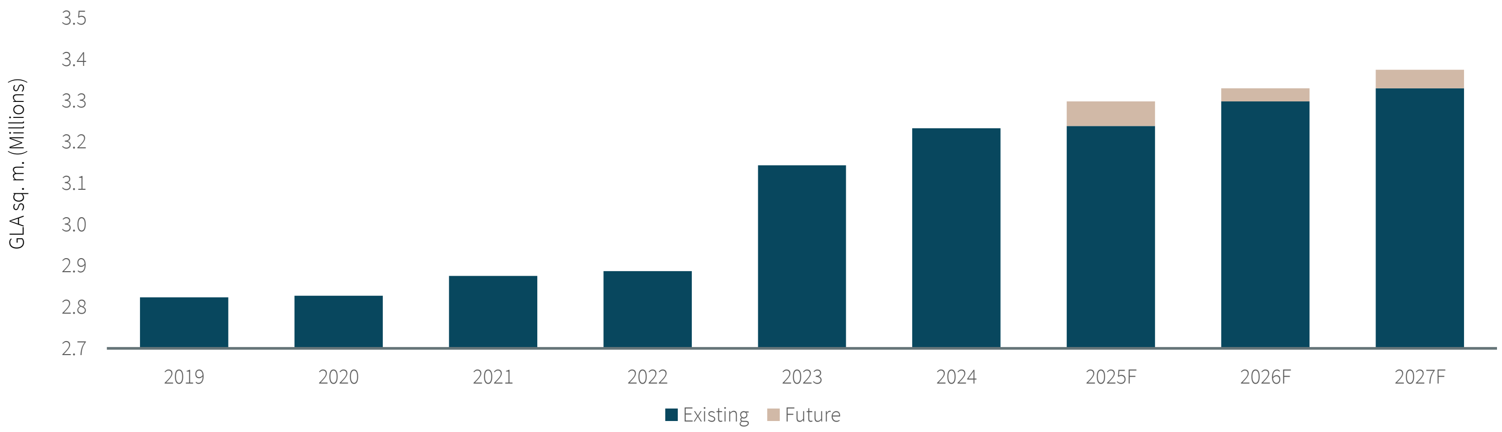
Source: JLL Research, 2025

Commentary

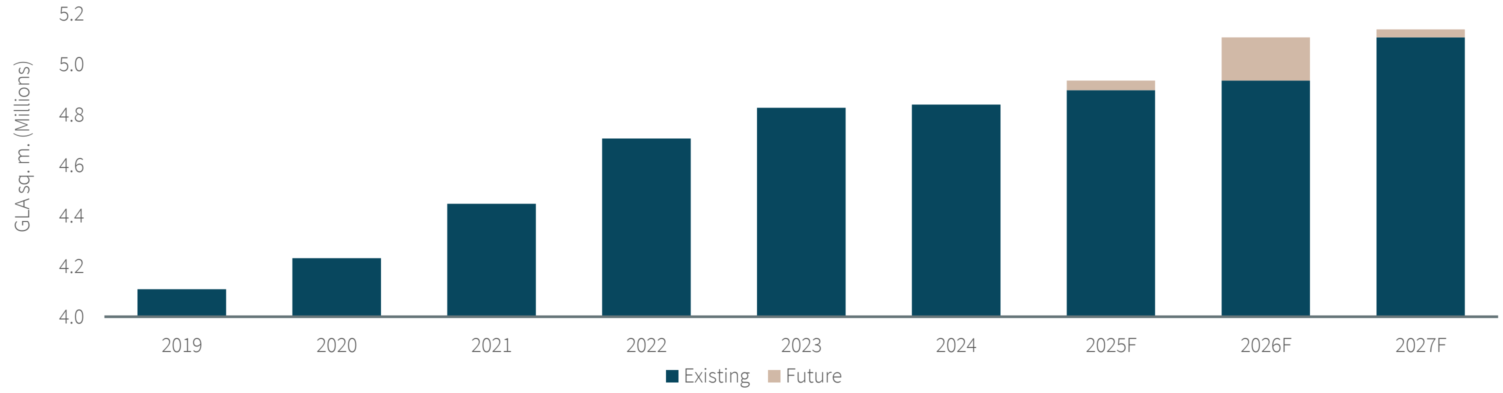
- Abu Dhabi's retail inventory held steady at 3.23 million sq. m. in Q2. For the rest of the year, about 59,000 sq. m of new retail space is expected, with a large portion coming from a regional mall development. Looking ahead, developers are prioritizing neighbourhood and convenience retail projects to serve the expanding master-planned communities.
- Dubai's retail footprint held stable at 4.89 million sq. m during Q2, with an additional 39,000 sq. m of community and neighbourhood retail space anticipated by year-end. The outlook for next year appears more robust, featuring a significant super regional mall expansion. Overall, retail developers with plans to develop new malls are aware of changing market conditions and are adopting a wait-and-see approach before committing to launching new projects.

Supply

Abu Dhabi



Dubai



Source: JLL Research, 2025

Outlook

- The sector continues to evolve strategically around enhanced consumer engagement, with retailers increasingly leveraging data analytics and technological innovation to deliver highly personalised shopping experiences. Physical retail spaces are being reimagined as experiential destinations, with brands deploying creative pop-up activations to drive foot traffic in an increasingly competitive landscape.
- The F&B sector is evolving, with landlords actively expanding space allocations to accommodate growing demand for food and beverage concepts. Local F&B brands are gaining substantial momentum, with landlords increasingly preferring these homegrown concepts due to their streamlined decision-making processes and faster operational turnaround times compared to international chains. Consumer preferences are shifting toward casual and upper-casual dining experiences, while traditional fast-food concepts are experiencing a notable decline in popularity. In response to these trends, developers are converting former food courts into family entertainment zones with improved dining options to better meet market demands.
- Market conditions are projected to continue favouring landlords across prime locations in the short to medium term. While individual landlords may exercise discretion with select tenants, there is a notable reduction in incentives during lease negotiations, with previously common capital expenditure contributions becoming increasingly rare. Lease agreements now typically combine base rent with turnover provisions, becoming the standard practice.

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