CORE Research
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DUBAI ANNUAL MARKET UPDATE

2022/2023

DUBAI MARKET SNAPSHOT 2022/2023

As we enter 2023 on a strong footing, building on the momentum Dubai's real estate market gathered in 2022 with record transaction volumes and unprecedented gains across all performance indicators, it is interesting to see Dubai's resilience given the intensifying global recession concerns and rising interest rates. As a global city, Dubai isn't immune to these conditions, however, it has greatly pivoted itself into a preferred global gateway city due to the government's robust response to the pandemic, pioneering policies and visa reforms, thus attracting and retaining investment and talent.

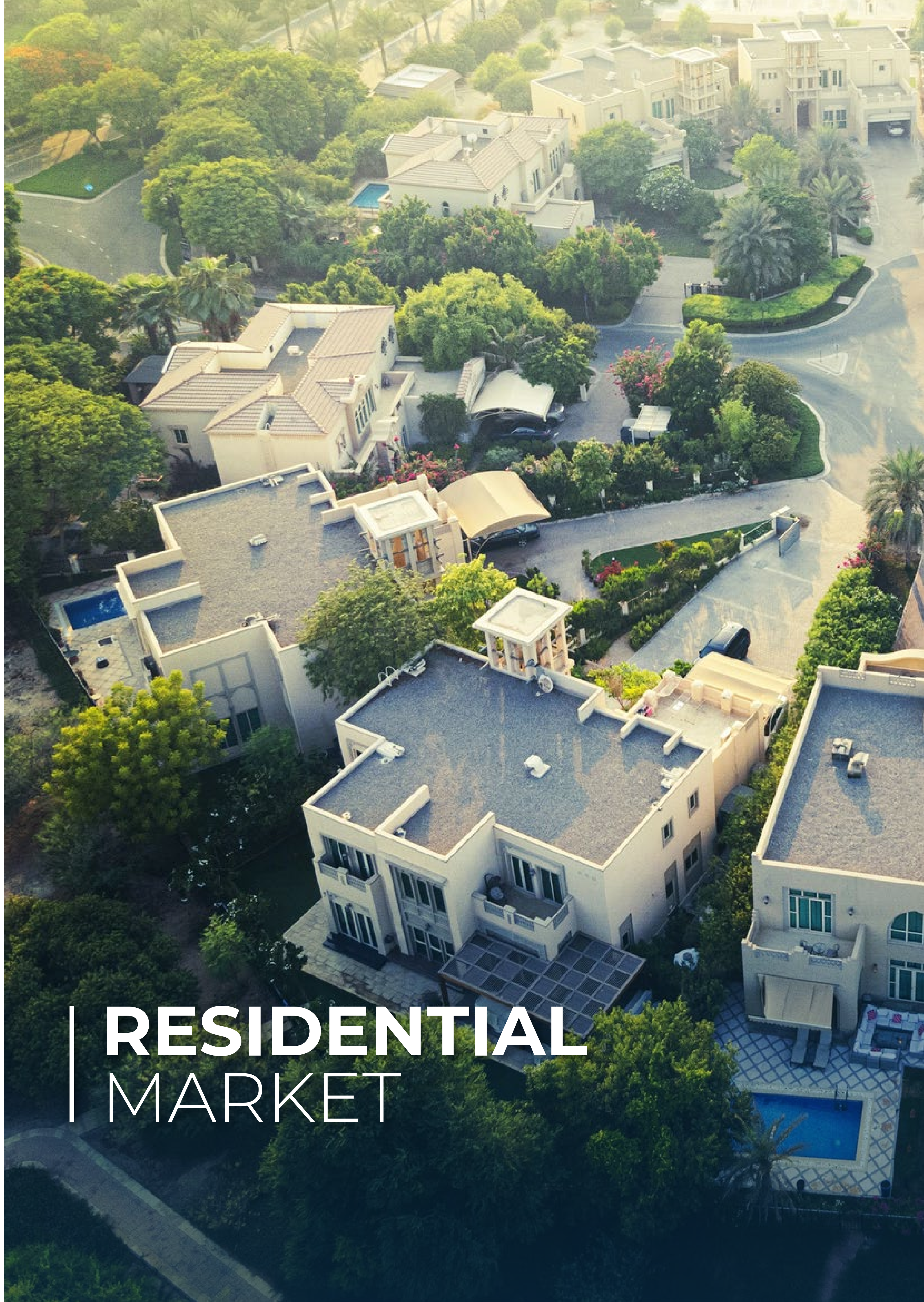
This has created upward pressure on the real estate market with sharp rises in capital values and rentals witnessed over 2022, and with strong take-up across asset classes, we foresee this upward trajectory to continue over 2023, although expected at sustainable levels.

Despite the spike in values, as residential prices remain competitive compared to other global cities along with property-linked visas attracting international buyers to Dubai's unrivalled lifestyle, tax regime, connectivity and safety, we expect demand for Dubai's prime residential market to remain strong over 2023. Furthermore, as the supply-demand imbalance intensifies across the prime residential sector with higher demand and limited stock, we expect a steady increase in sales prices in the near term. That said, we forecast the mainstream apartment market to see modest growth as resistance from tenants and end-user buyers due to affordability issues along with relatively higher level of supply in this segment is expected to exert downward pressure.

Similarly, in the office market, robust absorption across grades has increased occupancy levels and rents at an unprecedented pace, resulting in a shortage of stock which is becoming a growing concern in the face of mounting demand. While global economic slowdown and job losses are becoming prominent, the growing regional economy is yet to see a strong impact. Therefore, we forecast further increases in office rents and occupancy levels over 2023 in a backdrop of low vacancy levels and limited new and secondary market office stock coming to market.

We remain optimistic on our 2023 outlook as Dubai is expected to see a continued uptick in prices, rents and occupancy levels across asset classes, however, in the backdrop of increasing concerns around affordability and challenging global economic conditions.

This document was published in January 2023. The data used in the charts and tables is the latest available at the time of going to press. Sources are included for all the charts. We have used a standard set of notes and abbreviations throughout the document.



RESIDENTIAL MARKET

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SUPPLY

Interestingly, only 29,000 residential units were handed in 2022, lower than initial forecasts of over 35,000 units and the lowest number of handovers witnessed in Dubai since 2019, as supply chain issues impact realization rates and delivery timelines. Apartments continue to lead the tally with around 22,000 units and 83% market share while only 5,000 units were delivered in the villa market comprising 17%.

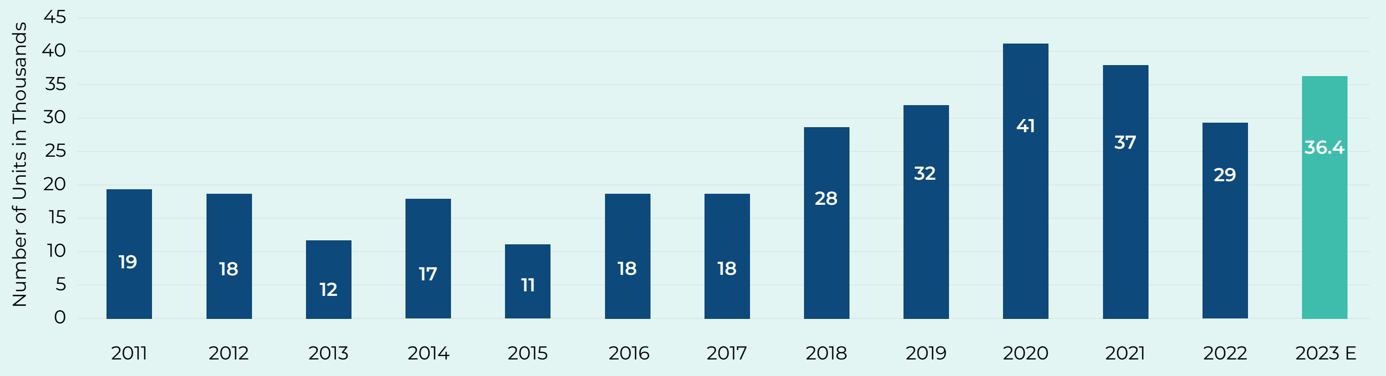
The highest number of handovers were witnessed in Mohammed Bin Rashid City and Meydan (12%), Jumeirah Village Circle (9%), Damac Hills-2 (9%) and Dubai Hills Estate (8%). Major deliveries included Golf Grove at Dubai Hills by Emaar, The Grand at Dubai Creek Harbour by Emaar, 1 Residences by Al Wasl, Aquilegia Villas by Damac and multiple apartment project handovers by Azizi and Sobha in MBR City.

Emaar led the supply handovers comprising 20% of all handovers, followed by Damac at 14% and Azizi at 6%.

As supply deliveries have dipped compared to previous years, along with a booming transaction market, a supply crunch is being created in a few pockets of the market, particularly the prime villa and waterfront apartment market as demand continues to outstrip supply in these locations. However, as most of the new and existing stock are in the mainstream and affordable apartment segment, a large portion of the apartment market is relatively balanced in terms of supply and demand.

While there are over 65,000 units slated for handover, our conservative estimates for 2023 are at around 36,000 units. Nearly 22% of these handovers are expected in MBR City followed by Downtown Dubai (11%) and Dubai Creek Harbour (10%).

Residential Deliveries in Dubai 2011 - 2023



Source: CORE Research

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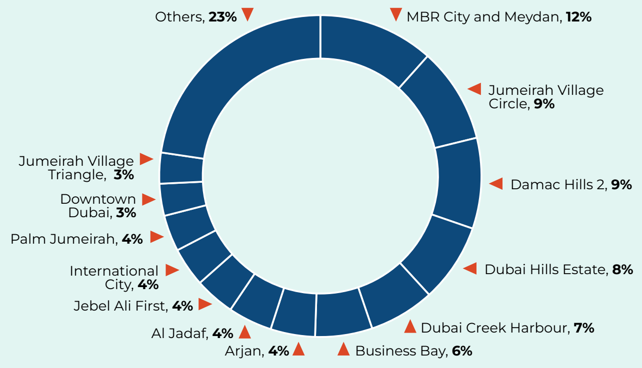
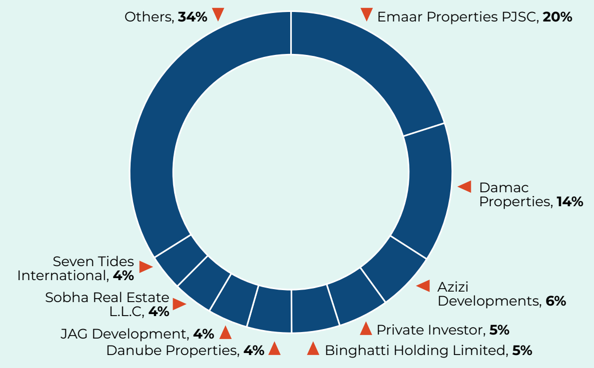
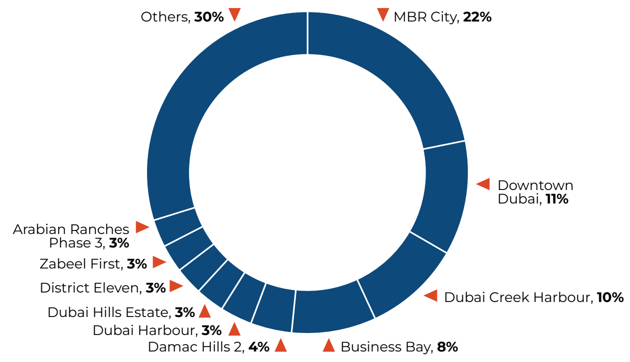
Supply Delivered by Area - 2022



Supply Delivered by Developer - 2022



Supply Forecast by Area - 2023



Source: CORE Research

RESIDENTIAL **TRANSACTIONS**

2022 was the best year in Dubai's residential transaction market with the highest-ever secondary and off-plan market transactions recorded both in terms of volumes and values transacted.

Many demand drivers have collectively led to this record performance including tax regulations, business confidence, visa and social reforms, and Dubai's global positioning in a post-pandemic world. 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.

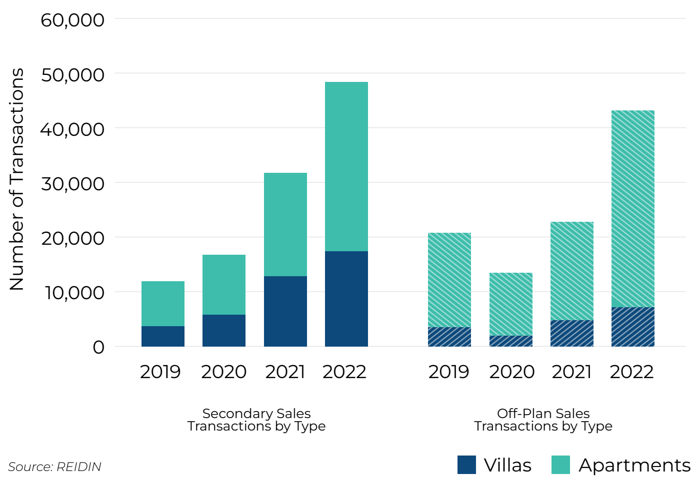
As secondary market transaction volumes continue to be higher than the off-plan market, historically an indicator of end-user demand, and with higher population growth across income brackets and relatively lower levels of supply inventory, the fundamentals remain strong. Furthermore, we are witnessing a rising number of tenants becoming end-user occupiers as rents continue to see sharper increases compared to sales prices.

Overall secondary market transactions in 2022 saw a 50% increase compared to 2021 while the off-plan market saw a massive 84% rise, mostly due to the higher number of off-plan launches and inventory available compared to previous years.

In the apartment sales market, we witnessed a 51% rise in 2022 in secondary sales transactions and a 101% spike in off-plan sales transactions compared to 2021. In 2022, we witnessed a 49% rise in secondary sales transactions and a 24% increase in off-plan sales transactions compared to 2021.

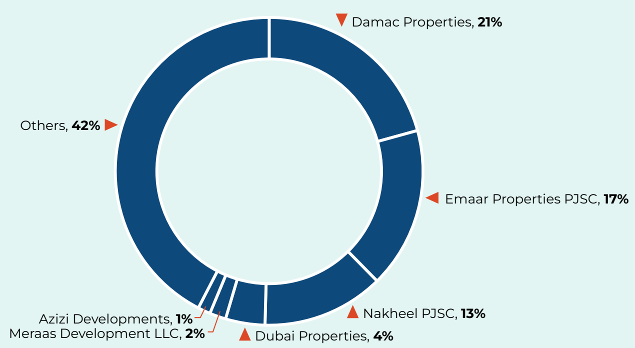
Emaar continues to lead off-plan demand by a significant margin, accounting for one-fourth of all off-plan transactions recorded in 2022, followed by Damac (6%), Select Group (5%), Sobha (5%) and Azizi (5%).

Residential Sales Transactions Trends

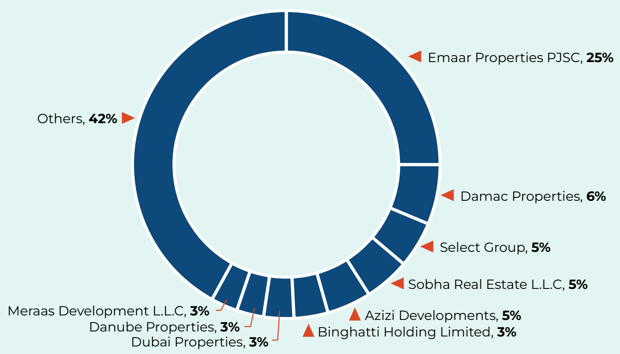


Source: REIDIN

Ready Market Sales Transactions by Developers - 2022



Off-Plan Sales Transactions by Developers - 2022



Source: CORE Research

VISA REFORMS AND LIFESTYLE DRIVERS SPUR RECORD TRANSACTIONS

Significant changes in visa regulations and the pro-business sentiment are underpinning the strong market performance. With over 151,000 golden visas issued since inception, the introduction of retirement visas and a raft of property-linked visas are drawing residents and investors alike to consider UAE a long-term home. With a steady population increase across income segments, in line with the 2040 target of 5.8 million residents, Dubai is driving sustainable demand.

Lowering the property-linked visa from AED 1 million to AED 750,000 has also resulted in a strong push as nearly 39% of all secondary transactions were between AED 750,000 to AED 2 Million, while 49% of all off-plan transactions were between the same range.

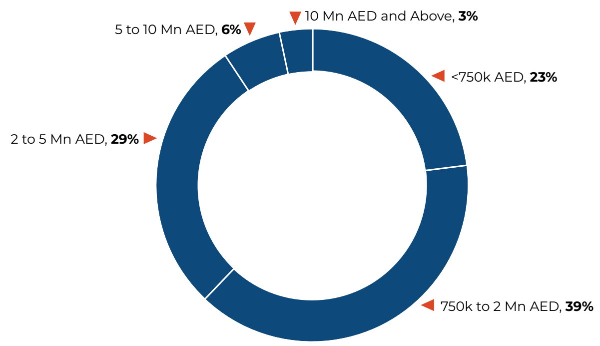
While the news of the prime and ultra-prime segments continues to dominate the market, as with most global cities, they form a very small fraction of the market. Only 3.3% of all the secondary market transactions were above the AED 10 million while just 1.6% of all off-plan purchases were above the AED 10 million mark.

That said, the prime market has seen unprecedented demand over 2022, with secondary market transaction volume above AED 10 million witnessing a 62% year-on-year increase (1,593 transactions concluded in 2022 compared to 981 in 2021). This includes the highest villa sale recorded on Palm Jumeirah for a whopping 600 Million AED. While high-ticket purchases were typically focused on the secondary market, prominent luxury off-plan launches in 2022 performed increasingly well with a staggering 113% increase in off-plan transaction volumes compared to 2021 (695 transactions in 2022 compared to 326 in 2021).

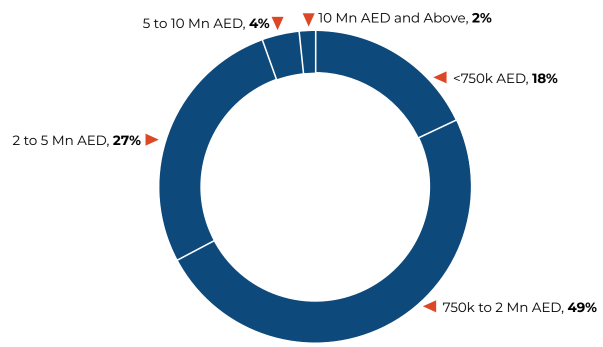
2022 also broke records for the ultra-prime segment with over 24 residential transactions recorded above the AED 100 million mark compared to 5 in 2021.

With growing UHNI demand for luxury properties, particularly on the waterfront, we foresee this segment to remain insulated from the global recession, interest rate hikes and inflationary pressures as most of these transactions were cash purchases.

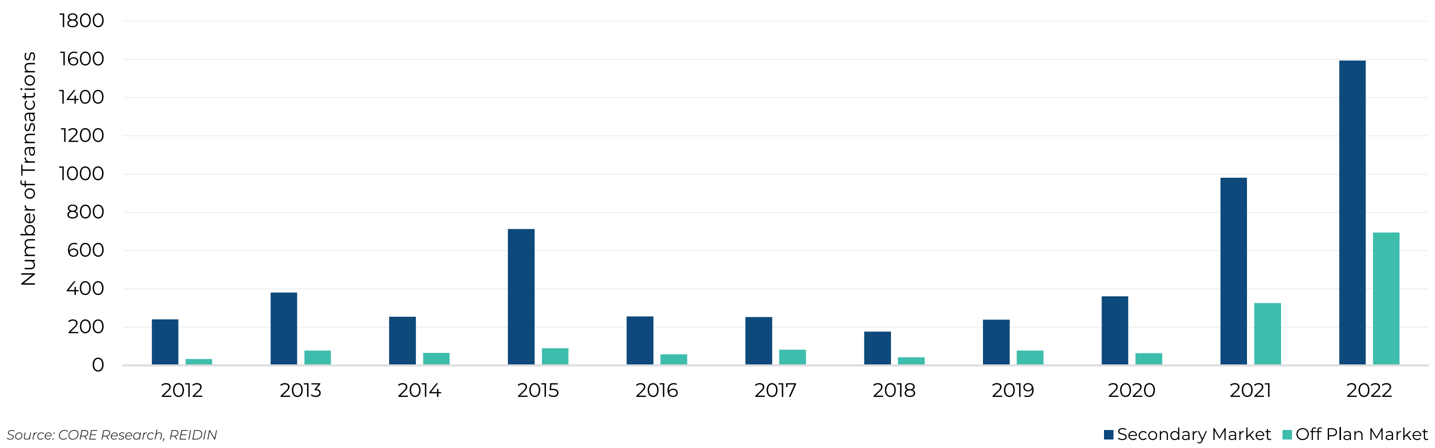
Secondary Market Transactions - 2022



Off Plan Market Transactions - 2022



Residential Transactions Above AED 10 Million



Source: CORE Research, REIDIN

RESIDENTIAL
SALES MARKET

Wide-spread increases in year-on-year sales prices were observed across all residential districts we track. Apartments in Palm Jumeirah (20%), Business Bay (15%) and Downtown Dubai (14%) witnessed the sharpest rise in sales prices. Apartments in Palm Jumeirah and City Walk have surpassed their previous peak values, while all other apartment districts are below their peak 2014 values. Apartments in Dubai Sports City (7%) and Discovery Gardens (4%) have been the slowest to recover.

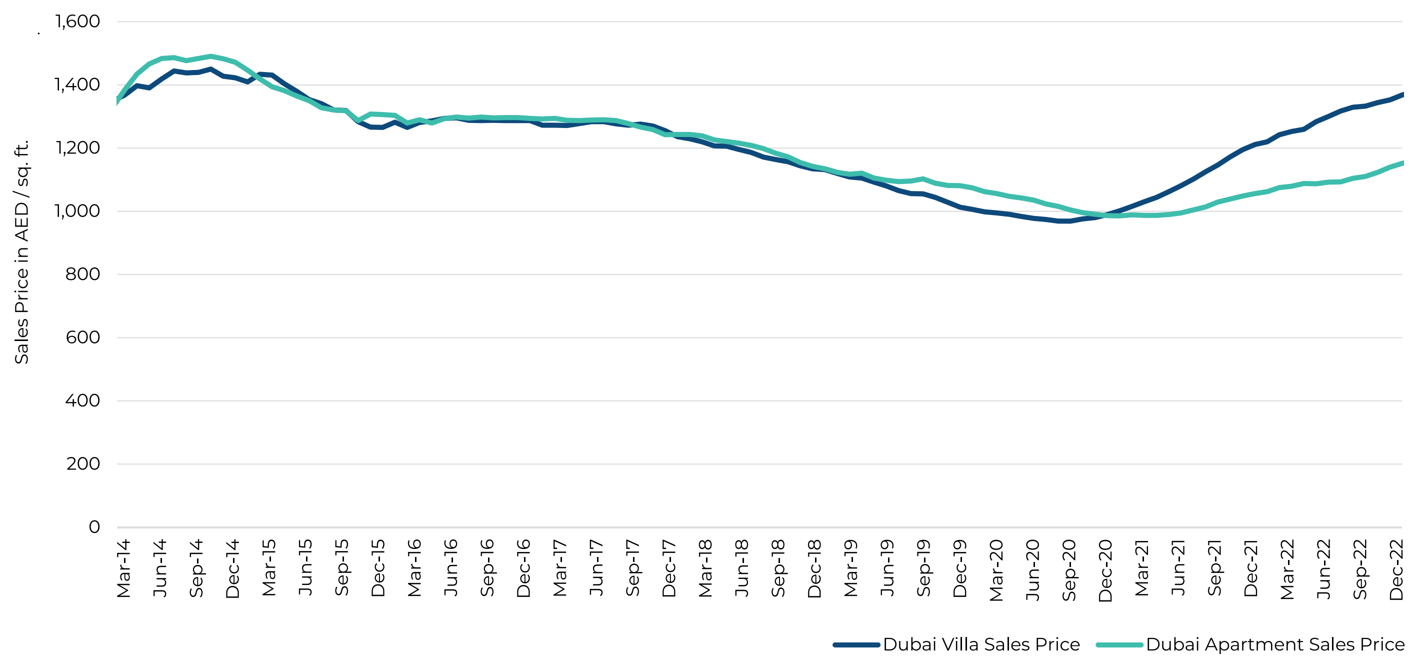
In the villa market, the sharpest rise unsurprisingly has been seen in Palm Jumeirah (49%) followed by Emirates Hills (19%), The Lakes (13%) and The Springs and Meadows (12%). To give perspective on how drastic the rises have been, villas on Palm Jumeirah have seen a whopping 109% rise in sales prices since the start of the pandemic – albeit rising from historical lows.

Sales prices across most districts are well above pre-pandemic levels with average citywide villa sales prices up by 11% and apartments by 9% year-on-year. However, these prices are still below their 2014 peak values, with villas lagging by -5% and apartments by -22% compared to 2014 peak values.

With just 5% behind their 2014 peak values, we expect villa sales prices to surpass them by H1 2023, due to sustained demand despite downward pressures from rising interest rates and inflation.

While we don't foresee the sharp rises witnessed in 2022 to continue in 2023, we believe the market will see moderate rises at sustainable levels as the gap between ask and bid prices rises with end-users being priced out of the market along with global recession fears and rising interest rates deterring a segment of buyers.

Dubai City-Wide Sales Price Trends



Source: REIDIN

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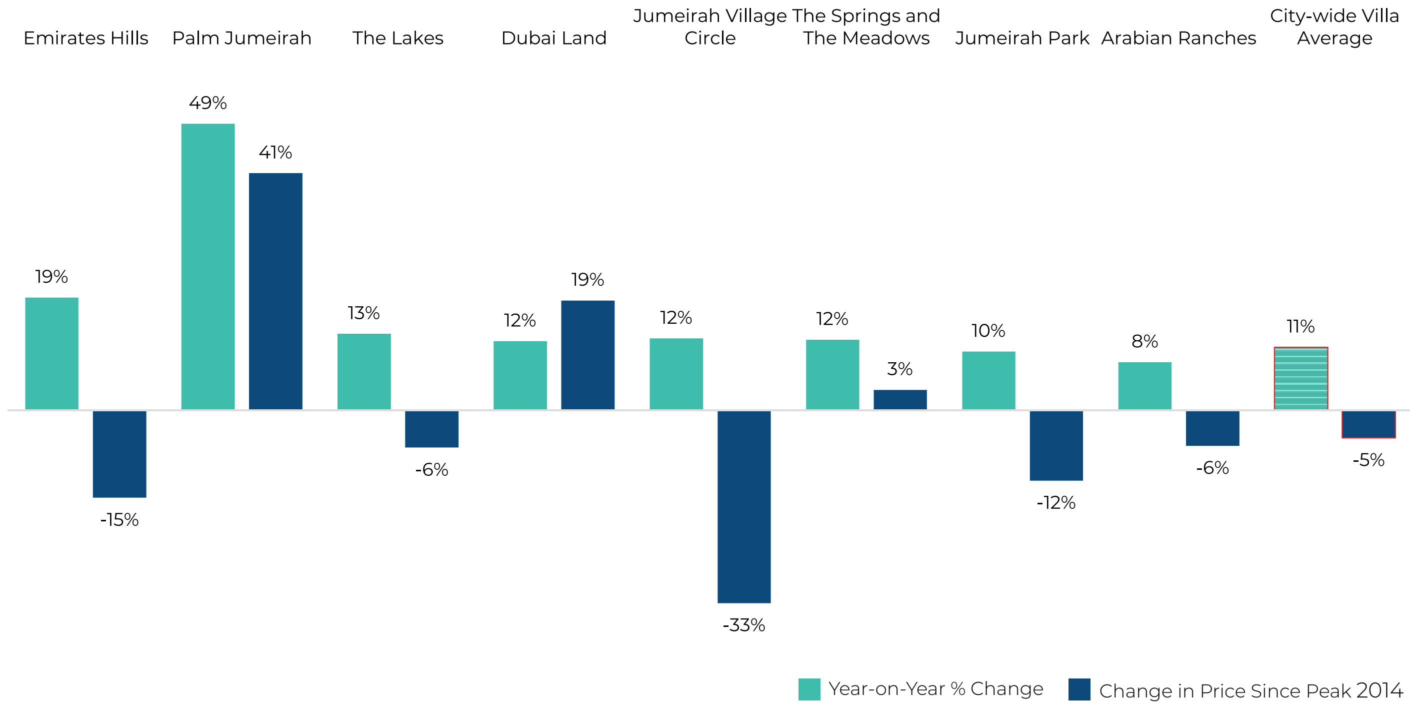
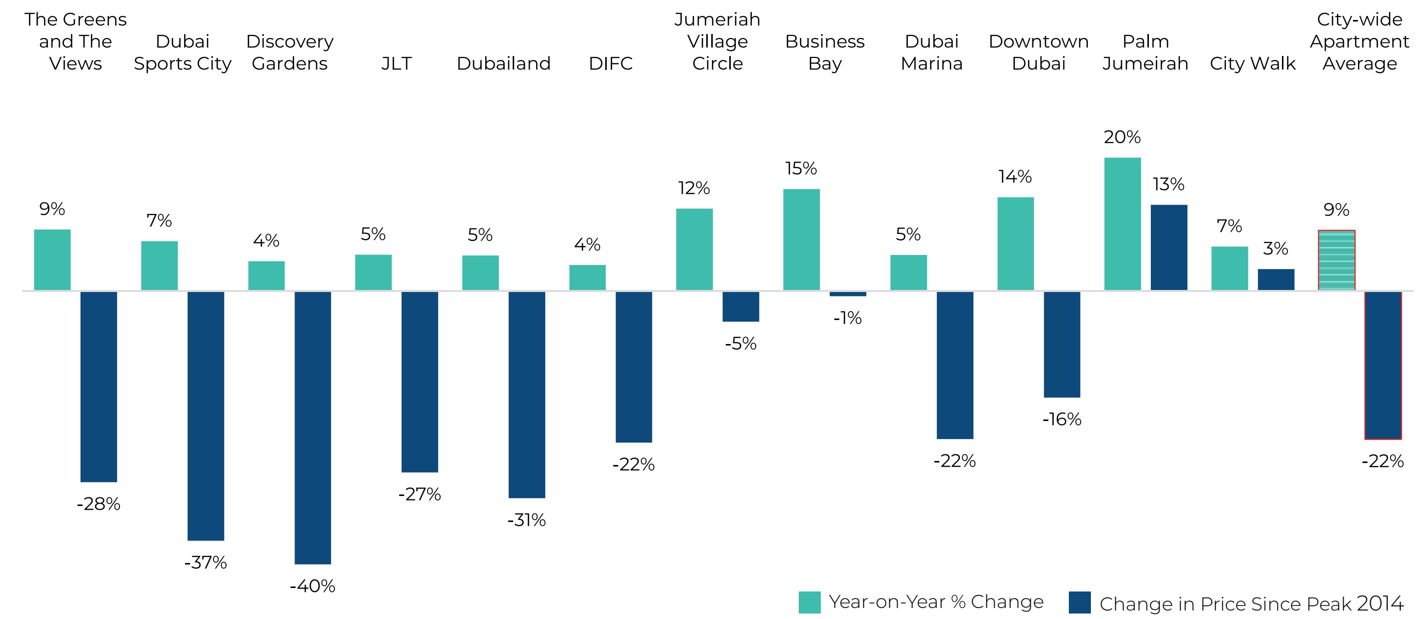
RESIDENTIAL
SALES MARKET

Villa Sales Prices Q4 2021 vs. Q4 2022



Apartment Sales Prices Q4 2021 vs. Q4 2022



Source: CORE Research

RESIDENTIAL
RENTAL MARKET

Mirroring the robust transaction activity and price rises in the sales market, the rental market has witnessed sharper rental rises with all residential districts we track witnessing double-digit rises ranging from 13% to 45%.

Prime apartment districts including Downtown Dubai continue to lead with a rental spike of 45% year-on-year, followed by Palm Jumeirah (38%) and Business Bay (36%). These have been the highest recorded rental rises since the 2014 peak. The sharpest rise in year-on-year villa rents were again seen in Emirates Hills and Palm Jumeirah (both at 45%) and Jumeirah Village Circle (36%).

The citywide villa rental average is up by 25% and apartments by 27% year-on-year. Improving at a record pace and as we predicted earlier, villa rents are now 1 % higher than 2014 peak values while apartments are lagging by 18%, albeit, to recover in the coming months.

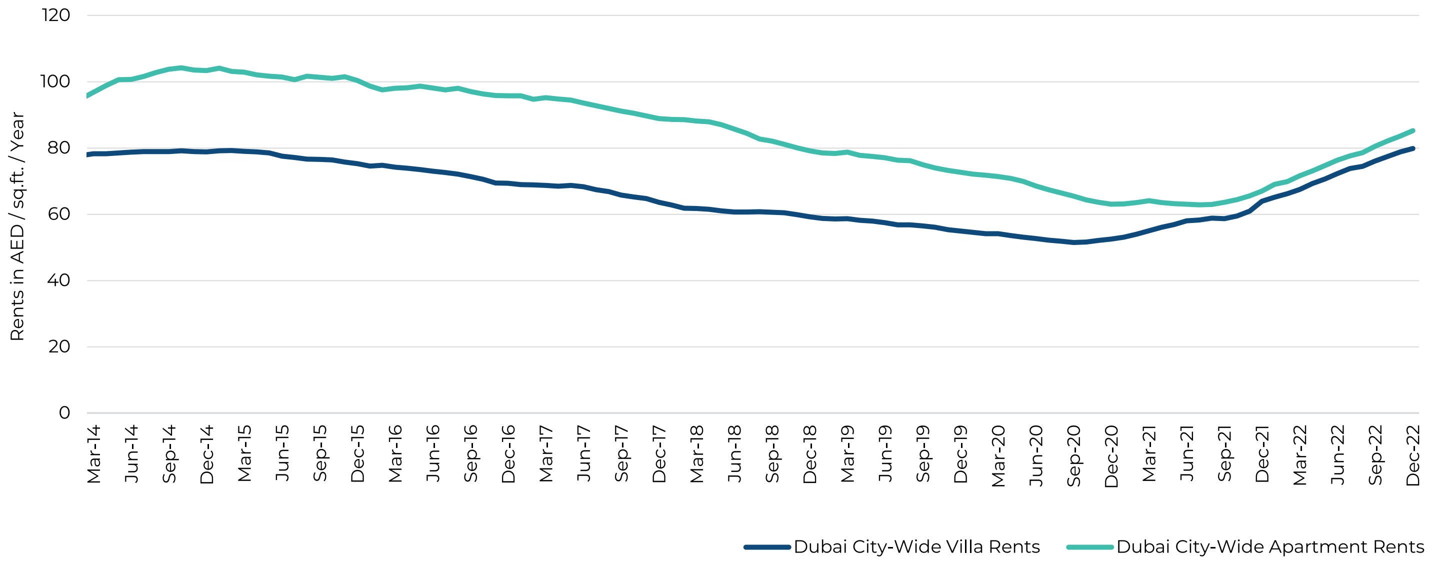
Although from a low base, these drastic rises in rents have caused a significant upheaval in the rental market over the last few quarters with most tenants receiving rental escalation notices. Tenants are preferring to stay in existing units as rental increases during renewals are considerably lower than new leases and are regulated by the RERA rental calculator.

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

We expect rental rises to continue for new leases in 2023, as high occupancy levels in central locations will exert upward pressure on rents – albeit the rise in rents in renewals will be relatively lower as they are protected through the RERA rental index.

As rents have witnessed a sharper rise compared to sales prices, yields are at a 7-year high, with city-wide gross apartment yields at 7.2% and villa yields at 5.7%.

Dubai City-Wide Rental Trends



Source: REIDIN

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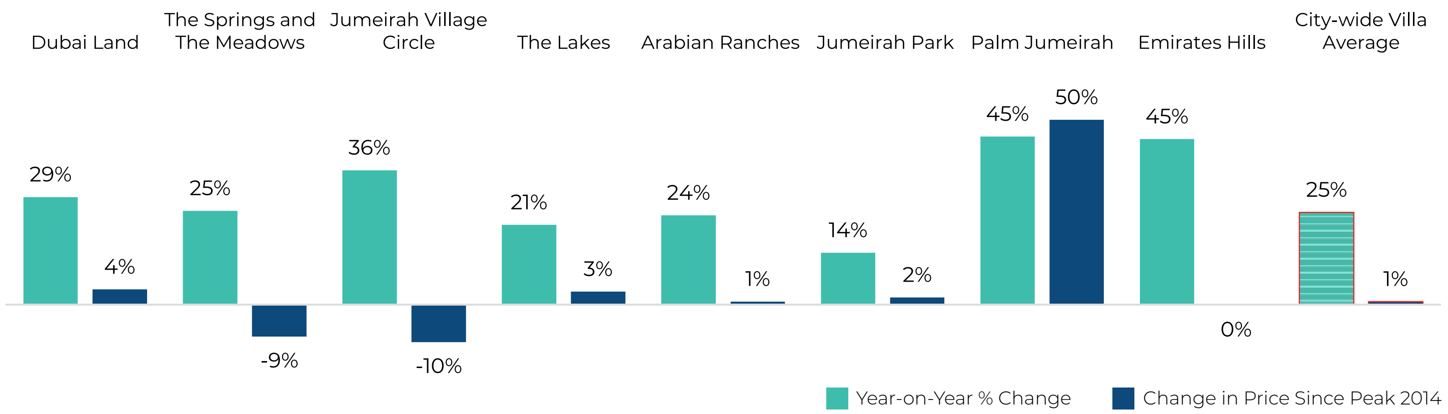
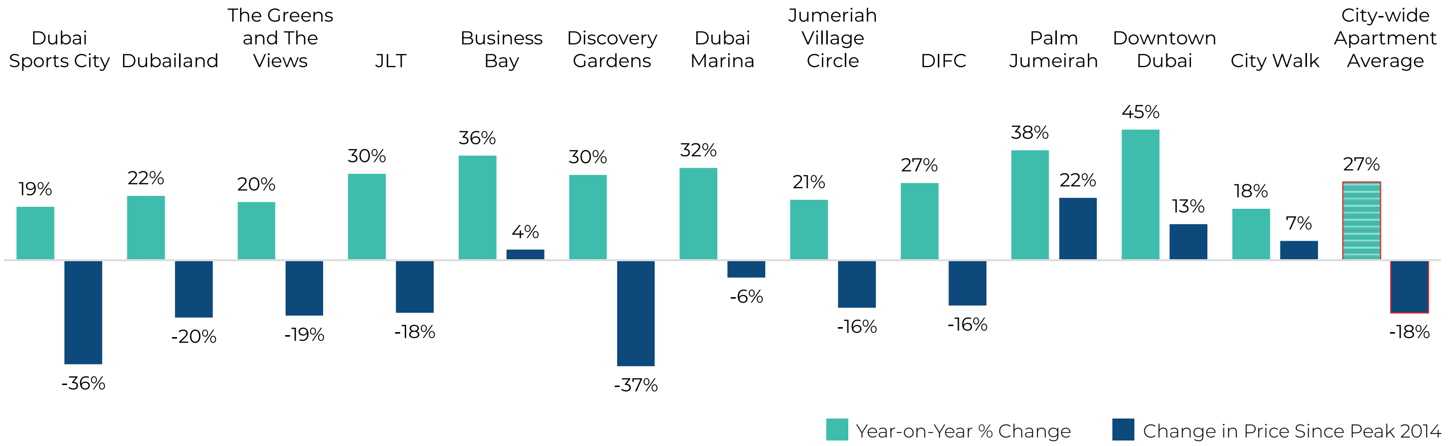
RESIDENTIAL
RENTAL MARKET

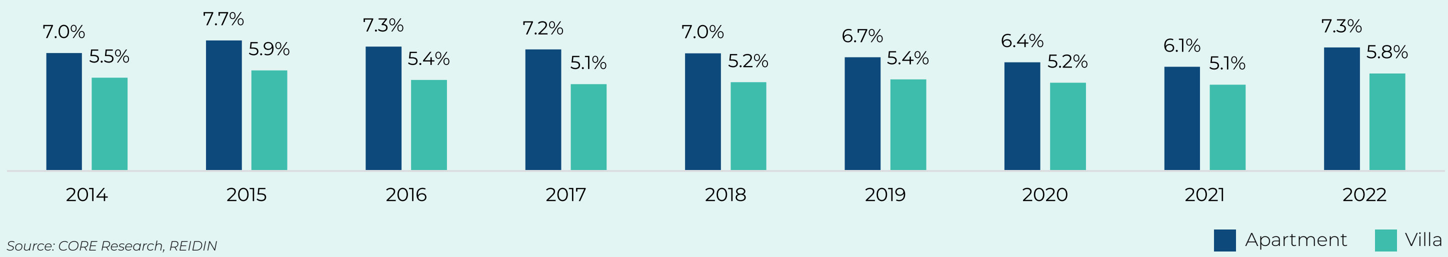
Villa Rents Q4 2021 vs. Q4 2022



Apartment Rents Q4 2021 vs. Q4 2022



Gross Residential Yields



Source: CORE Research, REIDIN

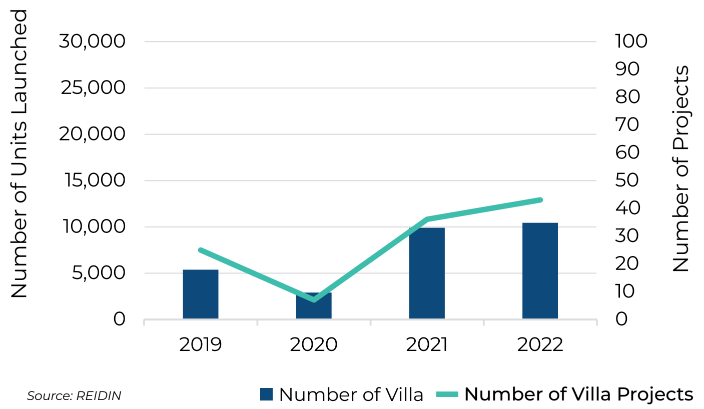
PROJECT **LAUNCHES**

While demand for villas continues to rise, we don't see developers particularly responding to this demand, with new villa project launches in 2022 just 5% over 2021 values, albeit exerting further upward pressure on villa sales prices.

However, the apartment market is witnessing a sharp uptick with 2022 witnessing a 120% increase in new apartment launches compared to 2021. With lower ticket sizes and higher development returns, most developers continue to focus on the mainstream apartment market. This trend is expected to plateau apartment sales prices as supply and demand equilibrium is expected to be achieved over the end of 2023. Prominent announcements in 2022 have been Bulgari Light House and Bluewaters Bay by Meraas, The Valley and St.Regis Residences by Emaar, Crest Grande at Sobha Hartland and Peninsula Four by Select Group.

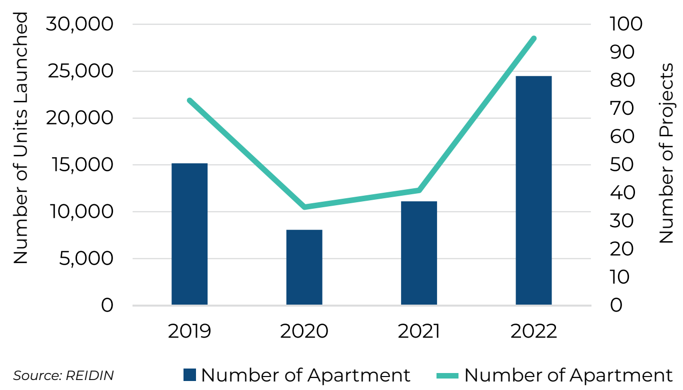
We have also seen a shift in off-plan payment plans with most launches now at 60-70% payment during the construction period and only 30-40% post-handover as developers try to capitalize on growing demand.

Villa Project Launches



Source: REIDIN

Apartment Project Launches



Source: REIDIN

RESIDENTIAL MARKET **FORECAST 2023**

Transaction volumes to see a steady increase
Sales transactions, in both the secondary and off-plan market, are expected to witness a sustained uptick in 2023 as demand continues from local and international buyers.

Sales prices to witness a gradual, yet, continued rise, particularly in prime villa and apartment districts, with most districts expected to surpass 2014 peak values. It is important to note the 2014 values were when there were nearly 200,000 lesser number of units than there are in 2021, therefore the market has fundamentally performed better despite the significant addition in stock.

Rental rises and high occupancy levels are expected to continue in 2023, however, with a growing disparity between rents in new leases and renewals.

High construction costs and supply chain issues to impact realization rates and keep supply handovers at a balanced level.

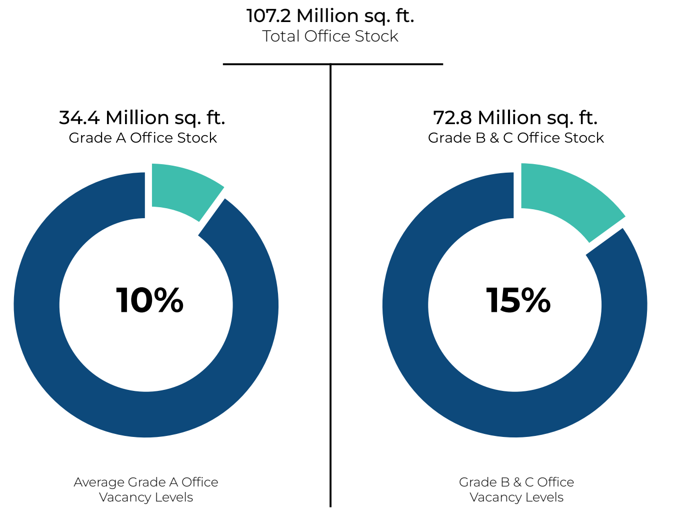
DUBAI OFFICE **MARKET SUPPLY**

Over 0.92 million sq. ft of office space was handed over in 2022 bringing the total Dubai office stock to 107.2 million sq. ft. Major office handovers in 2022 were across Expo District, Deira Enrichment Project, Dubai CommerCity and Dubai Hills Business Park while the delivery of Uptown Tower in Jumeirah Lake Towers is pushed to 2023. Further projects expected this year are the office component of One Zabeel, Innovation Hub One in DIFC and the next phases of Dubai CommerCity. 6 Falak in Dubai Internet City and TECOM's Innovation Hub phase 2 are both witnessing strong pre-leasing activity, and are expected to be handed over in 2024.

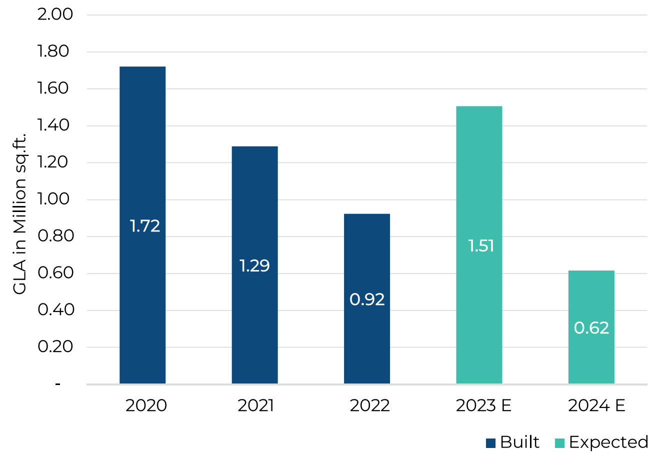
It is important to note that most of the office supply pipeline is already pre-leased, therefore offering very limited availability upon delivery.

While freezones such as Dubai South, Expo district and outer TECOM clusters have some existing office inventory, DED licenced central locations are short on supply. With very limited new on-shore office stock currently under construction, we are witnessing many single landlords (with a land portfolio) and freezones looking to activate new office projects or upgrade/repurpose existing office stock. However, as it would be at least a two-three-year construction cycle, we expect to have an office supply crunch over the near term, therefore creating further upward pressure on rents and occupancy levels.

Dubai Office Market in Numbers



Dubai Office Supply 2020 - 2024



Source: CORE Research

"Most of the upcoming office supply pipeline is already pre-leased, therefore offering very limited availability upon delivery. This high demand has led many single landlords and freezones to activate new office projects. However, as it would be at least a two-three year construction cycle, we expect to have an office supply crunch in the near term, therefore creating further upward pressure on rents and occupancy levels."

DUBAI OFFICE
MARKET DEMAND

We have seen a sharp rise in enquiries and new lease registrations over 2022 compared to 2021 due to strong demand from both new market entrants and existing occupiers looking to expand. As most firms are completely back to office or have employees work a greater number of days in the office in a hybrid model, we are witnessing a rise in spatial requirements.

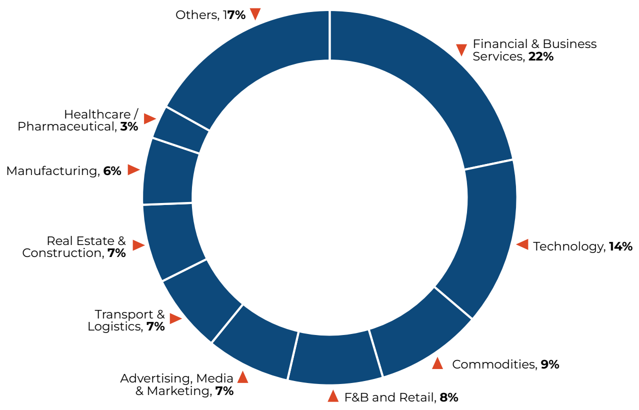
The most in-demand office size remains between 1,000-2,000 sq. ft range, accounting for nearly 38% of all office enquiries. There has been a shift in sectoral demand ; in 2021 and early 2022, we saw many enquiries from fin-tech and crypto firms which have now subsided, and we see a resurgence of banking, finance and service industries, followed by IT and commodity firms.

Amongst the freezones, DIFC and DMCC particularly have seen record new license registrations. JLT and Business Bay remain the most popular office districts, generating nearly 50% of all Dubai office enquiries, followed by Sheikh Zayed road (13%) and DIFC (5%).

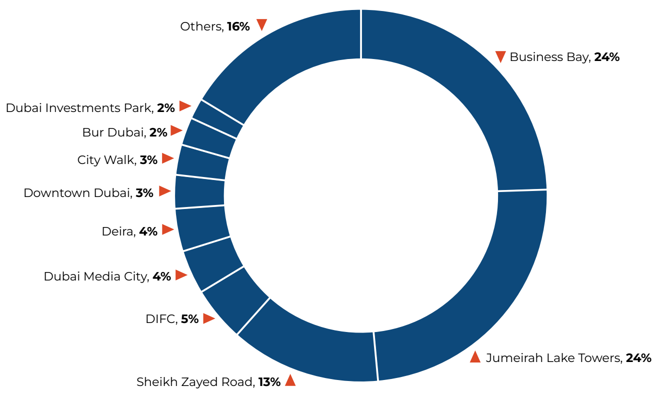
Occupancy levels have increased sharply with city-wide occupancy now at around 87% compared to 78% in 2021, translating to the absorption of nearly 9 million sq. ft of office space across Dubai over 2022. Prominent Grade A buildings are currently witnessing occupancy levels around 95% occupancy with city-wide Grade A occupancy levels at 90%. On the other hand, Grade B office occupancy levels have seen the highest gains over the last year as tenants are running short of options and pushed to take up Grade B options, resulting in city-wide Grade B & C office occupancy levels rising to 85%.

While all 18 office districts we track are witnessing a rise in occupancy levels, the sharpest increases are being seen in the large office districts of Business Bay, JLT and Sheikh Zayed Road. The rise in enquiries and increase in license volumes are stemming from the 100% company ownership law, causing DED areas, with Business Bay and Sheikh Zayed Road particularly seeing a see a sharp uptick in demand.

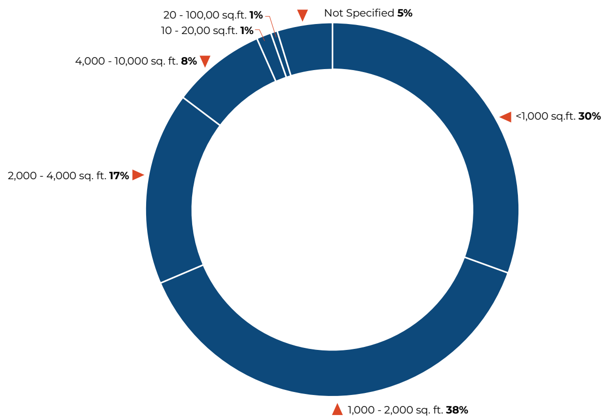
Office Demand by Sector



Office Leads / Enquiries by Area



Office Leads / Enquiries by Size

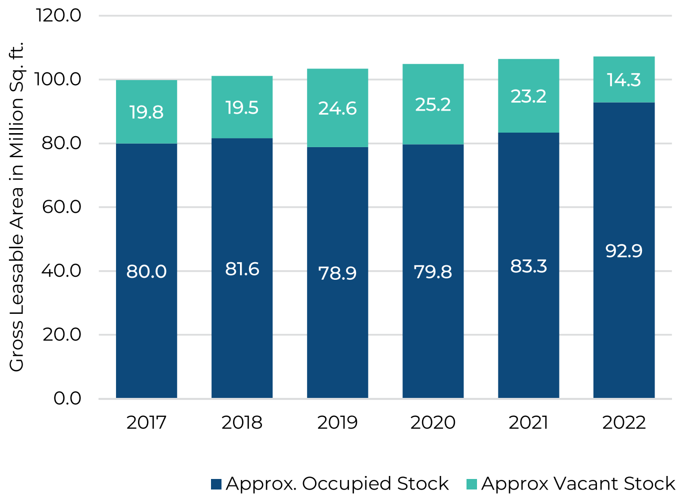


Source: Datafinder, CORE Research

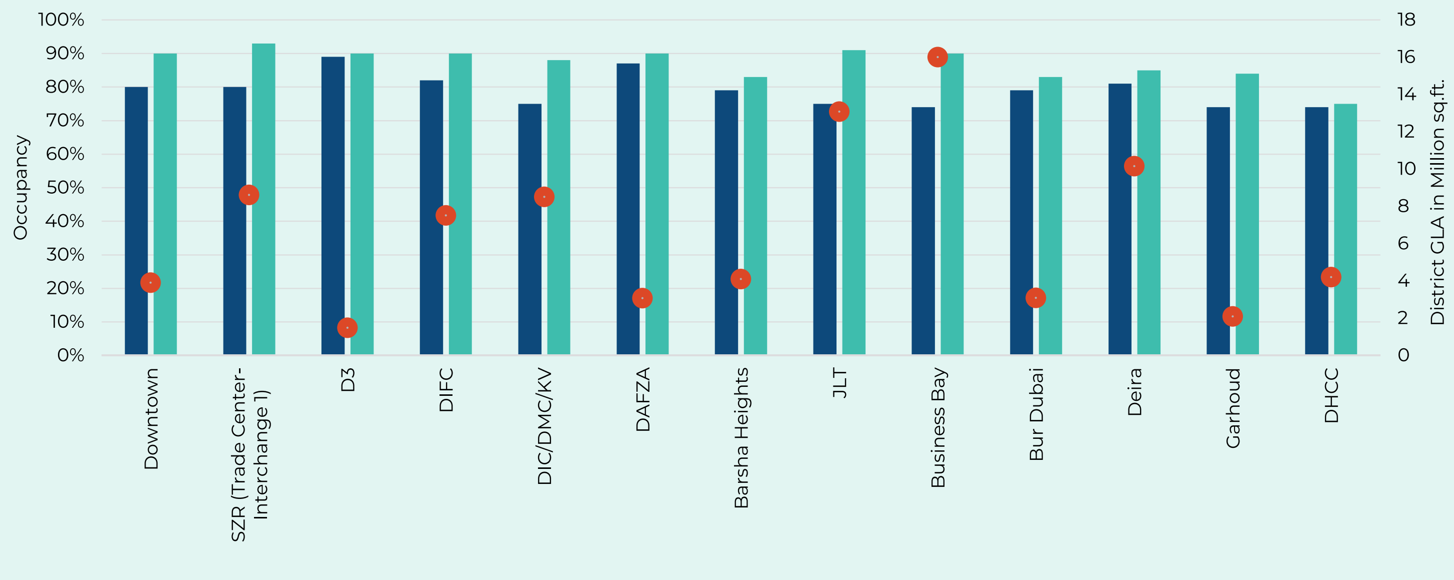
DUBAI OFFICE
MARKET DEMAND

"Occupancy levels have increased sharply with city-wide occupancy now at around 87% compared to 78% in 2021, translating to the absorption of nearly 9 million sq. ft of office space across Dubai over 2022."

Total Office Occupied vs. Vacant Stock



Office Occupancy Q4 2021 vs. Q4 2022



Source: CORE Research

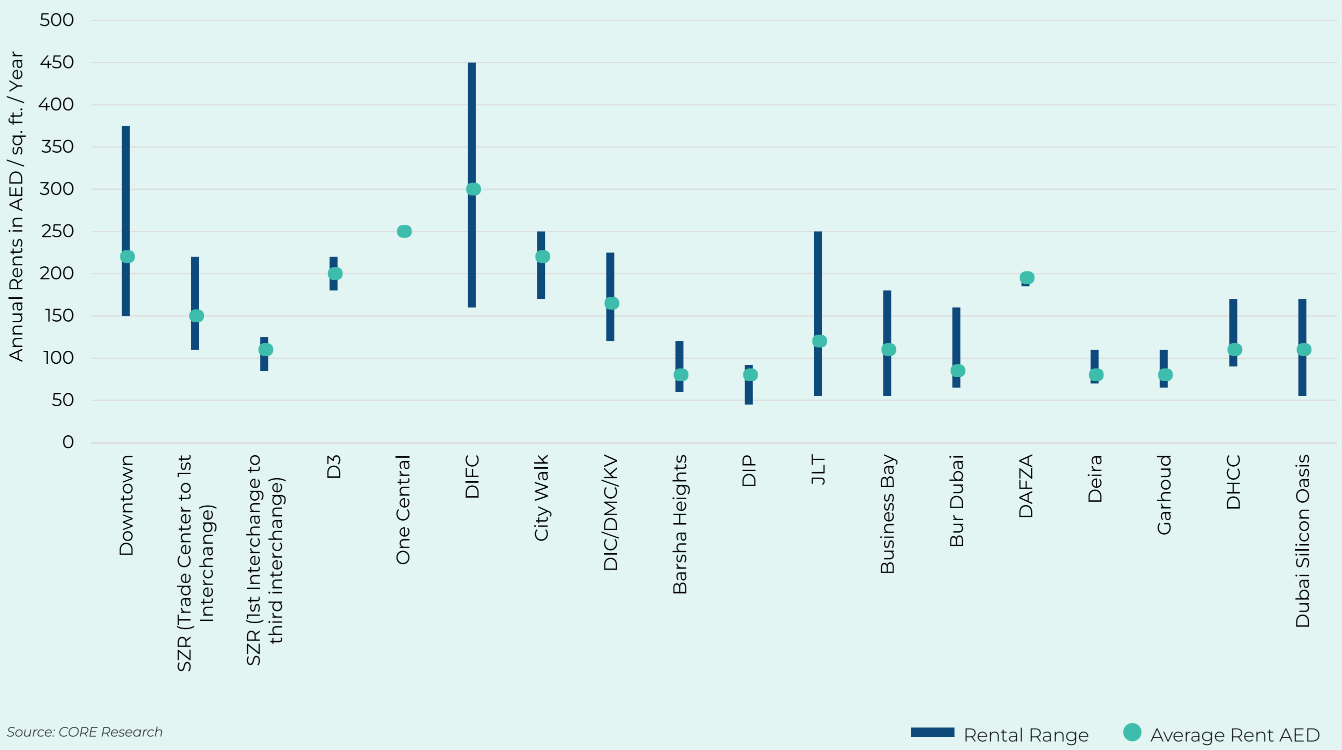
OFFICE MARKET **RENTAL TRENDS**

As demand for offices intensifies across the city, office districts have witnessed year-on-year increases in the range of 5% to 50%. Areas including Downtown Dubai and Sheikh Zayed Road (Trade Centre to Dubai Mall) and JLT, having seen the sharpest rise of circa 50%, albeit from a very low base of 2021. All office district rents are well above pre-pandemic levels and nearly at par with 2014 peak values.

We have seen rental rises to be higher in districts where most of the office stock is strata (an office building owned by multiple owners) as they were rising from a significantly low base compared to freezone-owned and single landlord stock. Many landlords (particularly those owning fitted units) aware of the turning market, are now achieving asking prices or in some cases premiums on asking prices as well as lower number of cheques.

Many tenants who had negotiated favourable lease terms during the pandemic are now reaching the end of their two or three-year lease terms and are facing rental escalations from their landlords during renewals. While RERA rental calculator is helping them avoid these sharp increases, as landlords are aware of favourable market conditions, they are continuing to push to increase the rents during renewals while tenants continue to resist. Tenants who signed longer lease terms of 3 to 5 years typically have pre-agreed escalation of 5% every two years and are thus yet to face this issue.

Dubai Office Rents Q4 2022

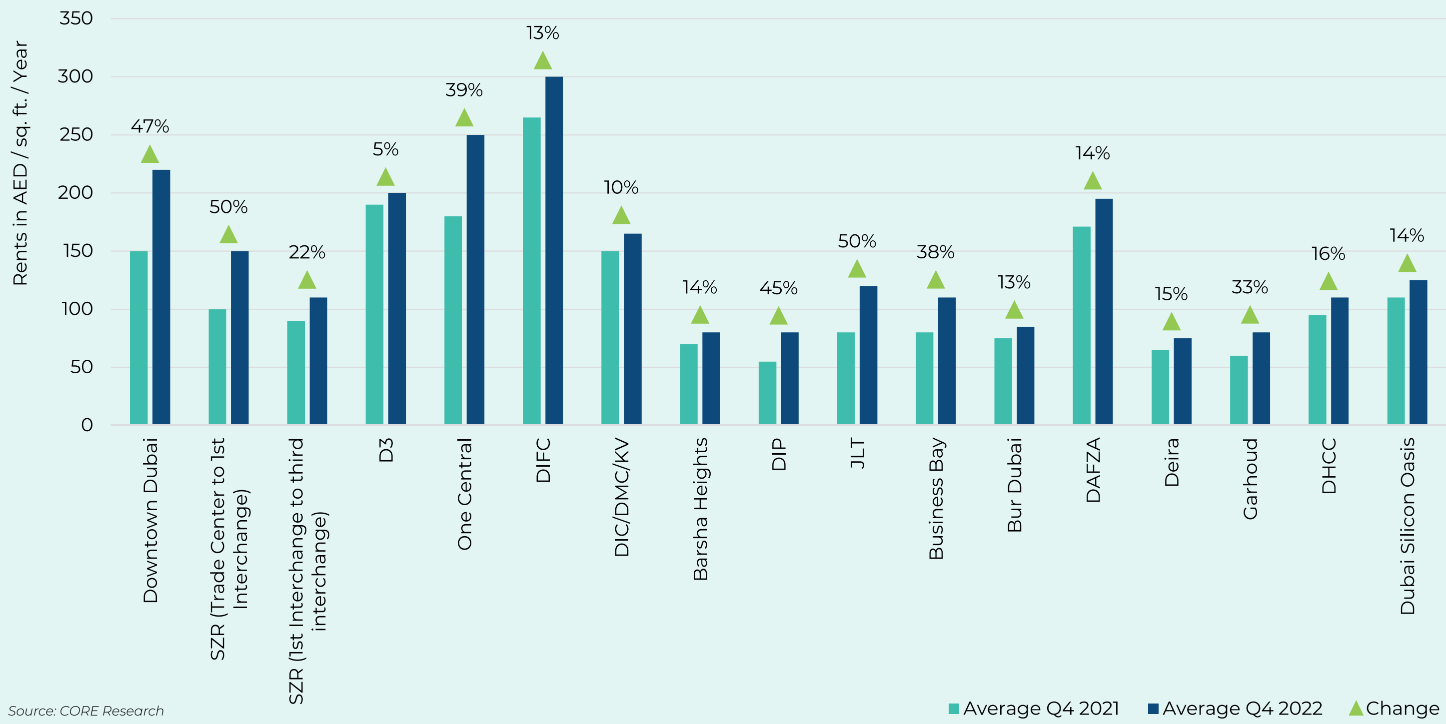


Source: CORE Research

"All office district rents are well above pre-pandemic levels and nearly at par with 2014 peak values."

DUBAI OFFICE **RENTS**

Change in Average Office Rents Q4 2021 vs Q4 2022



Source: CORE Research

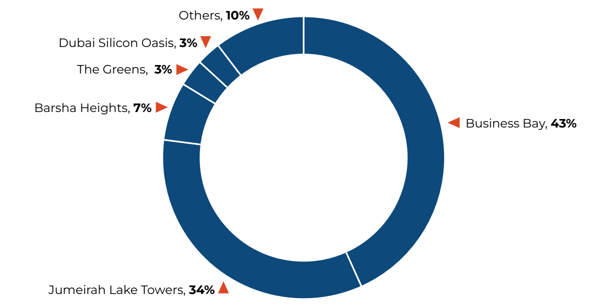
OFFICE MARKET **SALES TRENDS**

We have seen the office sales market witness a 17% year-on-year increase in transaction volumes and a 20% increase in median sales prices. That said, we are still considerably lower in both transaction volumes and sales prices compared to 2014 peak values. There continues to be a very high demand from investors and end-user occupiers to acquire office spaces, with very limited supply and sellers in the market. Sellers who wanted to exit have already done so over the last two years, and the existing owners/landlords are achieving very high yields and therefore reluctant to exit unless they have access to other investment opportunities offering higher yields.

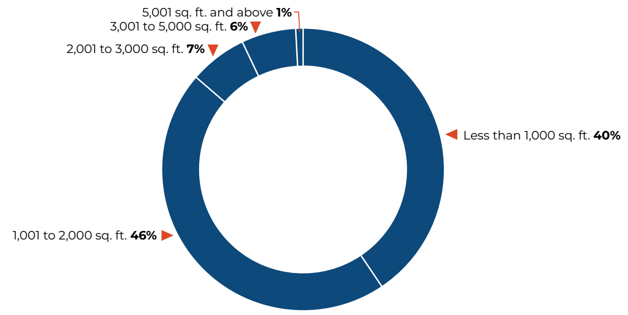
Business Bay and JLT dominate the office sales market, accounting for over 77% of all office sale transactions as these districts contain the most amount of strata stock.

As they can be easily leased and almost always in demand, and a function of how these office units and floors were designed and sold initially, the sub-2,000 sq. ft office size remains a preferred size for sales, accounting for over 86% of all transacted offices in 2022.

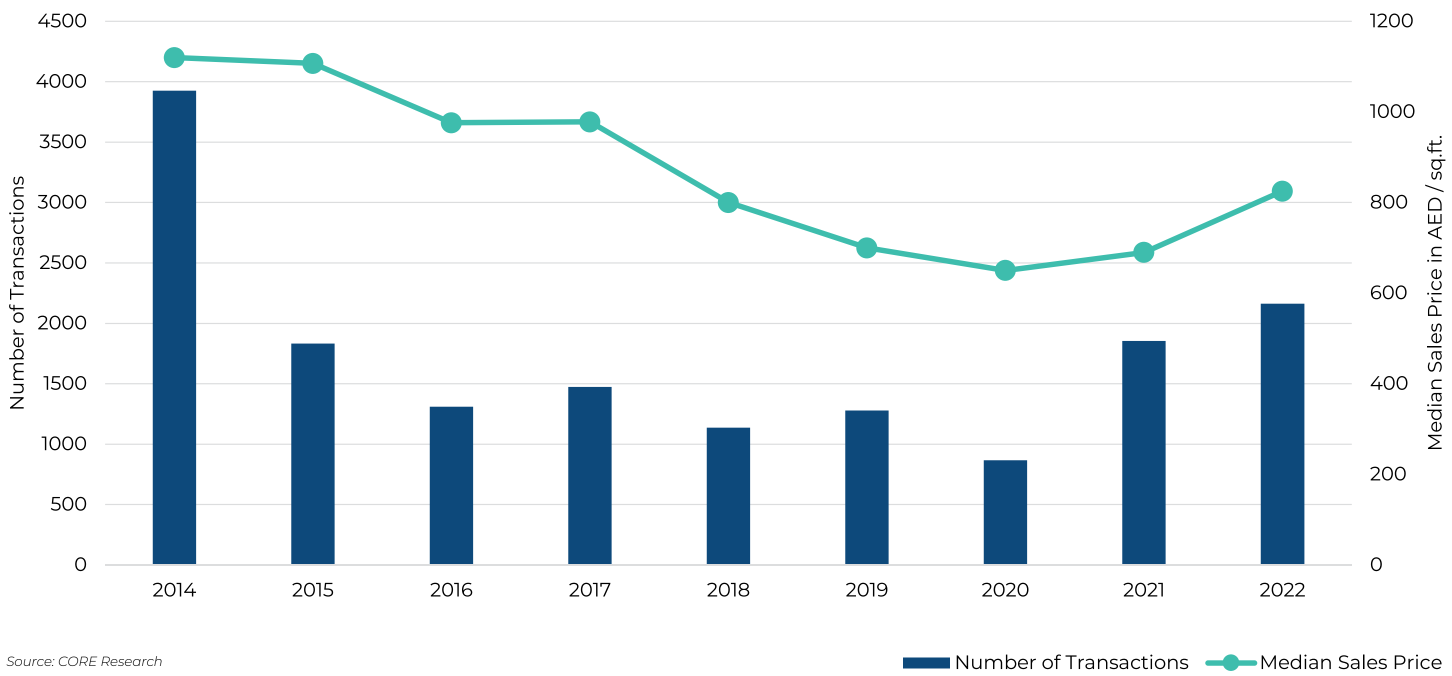
Office Market Sale Transactions by Area - 2022



Office Market Sale Transactions by Size - 2022



Dubai Office Sales Market



Source: CORE Research

OFFICE MARKET **FORECAST 2023**

Office demand to continue outstripping supply
With very limited available office stock and strong regional demand, we expect office rents to continue increasing, with another 10-20% rise expected in prime areas, with occupancy levels to increase across the city.

Developers and freezones are expected to initiate the next phases of new office projects to cater to the rising demand. That said, as most of the new supply is expected to witness strong pre-leasing activity, we anticipate limited vacancy rates upon handover.

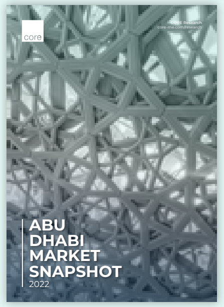
Re-purposing existing retail assets and upgrading older office stock to address rising demand.

Rising global recession fears and mass lay-offs may impact a section of international occupier demand.
While demand for office spaces remains strong, we cannot ignore global recession fears, hiring freezes, and job losses across the international tech and banking sectors and their impact on Dubai's office market. This may slow international first-phase expansions and potentially bring some secondary market stock back to the market as a few firms downsize. While regional markets are doing well, they aren't immune to global conditions, however, UAE government initiatives are offsetting these headwinds by creating a range of demand drivers to sustain economic growth.

Recent market leading research publications

Dubai
Market Update
Q3 2022

Dubai
Market Update
Q1 2022



Abu Dhabi
Market Snapshot
2022

Dubai Annual
Market Update
2021/2022

Dubai
Market Update
Q3 2021

Dubai
Market Update
Q1 2021

Abu Dhabi
Market Update
2020/2021

Dubai Annual
Market Update
2020/2021

CORE advises private and institutional clients seeking to acquire, develop, lease and dispose commercial property in the UAE, by delivering integrated expertise across the Office, Retail, Industrial and Hotel sectors. The foundation for our business is partnership that nurtures entrepreneurial expertise and dedicated customer service. Established in 2008 and present in Dubai & Abu Dhabi, our strong research capability and extensive transaction history in the UAE provides us with valuable, up-to-date market data and trends that enable our clients to make informed decisions and benefit from timely, comprehensive property services including:

- Landlord Representation
- Research & Advisory
- Investment Sales & Acquisitions
- Owners Association Management
- Tenant Representation
- Valuations & Consultancy (RICS Accredited)
- Prime London Residential
- Property Management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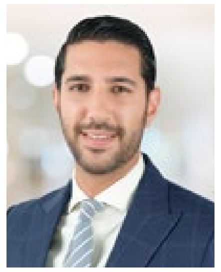
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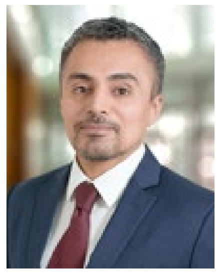
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RESEARCH AND ADVISORY

Harnessing years of regional experience, backed by local research and transactional expertise in the UAE, we strategically advise our clients with data that is driven by our strong brokerage network.

Our widely circulated periodic market reports and white papers capture the underlying property trends and guide market players in the region.

Our extensive real estate databases are also utilised by our advisory professionals who deliver customized reports based on client's specific needs.

Our team work closely with various real estate developers and investors across all asset classes and throughout the development process, optimizing their returns and reducing risks.

- Commercial Concepts
- Broker Opinion of Value
- Investment Memorandum
- Supply/Demand Analysis
- Market Appraisals
- Location Advisory
- Tenant Mix Analysis
- Market Positioning and Benchmarking Analysis
- Feasibility Study
- Highest and Best Use Analysis
- Development Strategy

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