

Property Review

Dubai Real Estate Report

Q1 2023

استيکو
azteco

38
YEARS

Dubai Market Overview

Supply*

The Dubai residential apartment market recorded the delivery of approximately 7,600 units in Q1 2023, broadly matching volumes registered in the final quarter of last year.

Villa supply picked up significantly in Q1 2023 with approximately 2,150 units handing over. This represents more than double (circa 1,000 units) in previous quarter.

New stock continues to be added across Dubai, with deliveries in established communities, such as Dubai Marina and Business Bay, as well as in upcoming developments including Port De La Mer, MBR City, Dubai Hills Estate, Dubai Creek Harbour and Arabian Ranches 3.

There were no notable new office space handovers over the last three months.

Despite ambitious development plans, project/handover delays are likely to limit full-year apartment and villa completions to 35,000 and 6,800, respectively. However, delays do not represent cancellations and the shortfall (approximately 5,000 apartments) on earlier projections will simply spill over into 2024.

Whilst the updated 2023 projections represent a decline on earlier forecasts; it is worth noting that the supply of new villas represents a significant increase over the previous year. For comparison, over the course of 2022 a total of 27,000 apartments and 3,930 villas were handed over.

Despite growing concerns over the volume of future supply, new project launches continues to be well received by investors and end-users.

With such positive market sentiment encouraged by stimulus from new government initiatives, and broader economic growth, further releases can be expected.

Rental Rates

Rental rates across all major asset classes grew over the course of the first quarter and are expected to increase further, particularly for good quality properties, albeit at a slower rate than last year.

Average apartment and villa rental rates continued to record strong growth in Q1 2023, particularly in higher-quality developments, with quarterly increases of 4% and 7%, respectively.

Annual rental growth in the villa segment was significant, at 25%, whilst average apartment rental rates rose by 19%.

Villas continued to be the predominant focus of demand, which translated into higher rental and occupancy rates.

Office rental rates also grew on average by 6% over the last 3 months, although net effective rents may have been influenced by additional incentives. Annual rental increases stood at 21%.

In this rapidly changing market, there has inevitably been a growing gap between landlord and tenant expectations. After burdening years of decreasing rent, many landlords have aggressively sought to benefit from favourable market conditions. This has resulted in attempts to secure significant rental increases at lease renewal and invariably resulted in the increasing application of eviction notices.

Unsurprisingly, many tenants have sought to push back under the protection of the RERA rental index and have ultimately opted to pursue a formal rental dispute. However, many tenants have agreed to rental hikes, seeking to maintain good relations with their landlord and avoid the risk (and associated cost and inconvenience) of relocation and ultimately having to settle for a similar property at an even higher rental rate.

This trend is expected to continue until new supply brings balance and rental growth plateaus.

Sales Prices

The first 9 months of 2022 recorded significant sales price growth, particularly within the luxury segment. However, the rate of increases (for apartments, villas, and offices alike) slowed in the final quarter. This more subdued rate of growth has continued in Q1 2023.

Nevertheless, the increase over the quarter still stood at a relatively strong 5% for both the apartments and villas. Annually, apartments and villas grew at a robust 17%.

The strength of sentiment is likely to continue to buoy sales price growth and new project launches in 2023. However, price growth is likely to be increasingly constrained by the reality of increasing supply and the impact of higher interest rates.

Asteco has noted a growing divergence between completed and off-plan sales prices, with a significant premium for the latter. The premium for off-plan sales is difficult to reconcile, given that completed product offers the opportunity for immediate rental returns or occupation.

One could speculate that the premiums being achieved are the result of improving specifications and the positioning of projects. However, it is more likely that this premium is the result of off-plan properties requiring investors to deploy less equity. Unfortunately, this raises several difficult questions, not least whether this premium is being driven by the speculation of capital growth, rather than longer term rental returns, or from future owner-occupiers.

With so many forces at play, Asteco anticipates momentum to continue throughout 2023 albeit at a more sluggish rate than 2022. Faced with these headwinds' developers are likely to offer increasingly flexible payment plans, either with lower down payments and / or extended post-completion payment plans.

* It is important to note that whilst a number of projects may have received completion certificates, Asteco does not consider a project delivered until the handover process has been initiated and the units are available for lease in the open market.

Dubai Supply

	Completed in 2022	Completed in Q1 2023	Projected END OF 2023
 APARTMENTS No. of units	27,000	7,600	27,400
 VILLAS No. of units	3,930	2,150	4,650
 OFFICES Million Sq.ft.	0.65	-	1.34

Dubai Apartment Rental Rates

(All figures in AED 000's p.a.)

	STUDIO		1 BEDROOM		2 BEDROOMS		3 BEDROOMS		% CHANGE	
	From	To	From	To	From	To	From	To	Q4 2022 - Q1 2023	Q1 2022 - Q1 2023
HIGH TO LUXURY END										
DIFC	62.5	80	85	125	110	190	160	285	4%	24%
DOWNTOWN DUBAI	55	80	75	140	110	200	160	350	5%	28%
PALM JUMEIRAH	70	100	110	200	150	260	190	350	8%	32%
SHEIKH ZAYED ROAD	60	70	75	140	80	190	100	210	5%	26%
MID TO HIGH END										
BUSINESS BAY	42.5	70	57.5	100	87.5	150	130	220	4%	23%
DUBAI MARINA	47.5	80	65	130	90	185	115	275	6%	27%
THE GREENS & THE VIEWS	47.5	65	65	115	95	150	125	200	7%	22%
JUMEIRAH BEACH RESIDENCE	67.5	90	85	150	110	170	145	220	5%	28%
JUMEIRAH LAKES TOWERS	40	57.5	50	85	67.5	140	105	160	5%	21%
AFFORDABLE										
DEIRA	20	35	37.5	55	47.5	85	80	105	4%	15%
DISCOVERY GARDENS	25	40	40	55	57.5	70	-	-	4%	16%
DUBAI SPORTS CITY	27	40	42.5	55	50	80	75	100	5%	22%
INTERNATIONAL CITY	20	30	30	40	40	60	57.5	70	3%	16%
JUMEIRAH VILLAGE	27.5	45	35	60	55	90	90	115	4%	20%

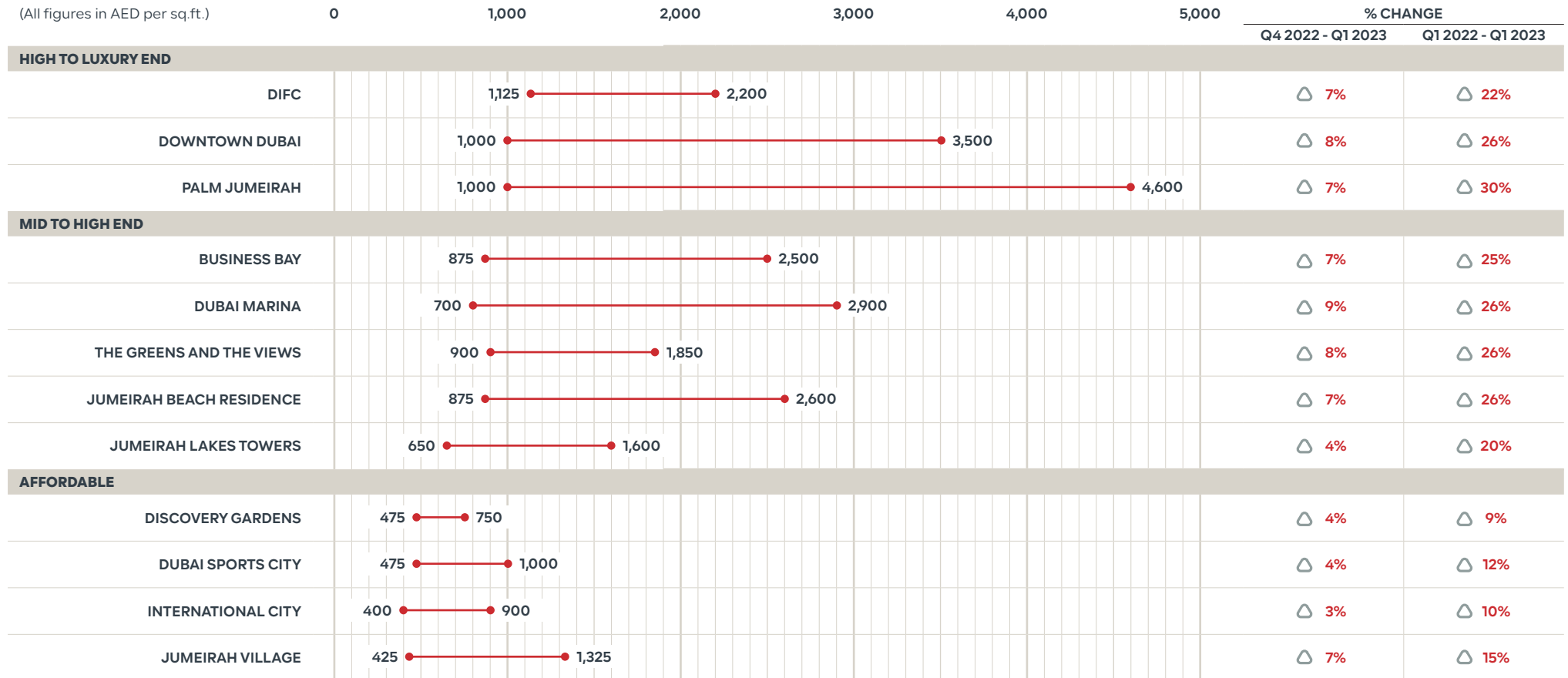




Dubai

Apartment Sales Prices

(All figures in AED per sq.ft.)



% Change

5%

17%

-13%

55%

Q-o-Q
Since Q4 2022

Y-o-Y
Since Q1 2022

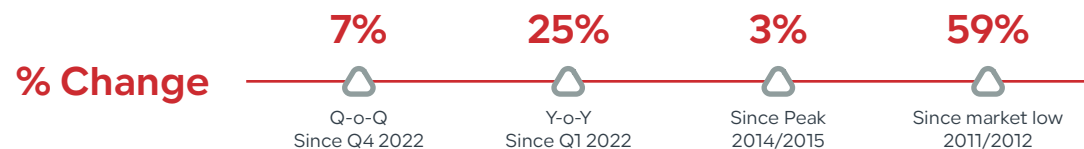
Since Peak
2014/2015

Since market low
2011/2012

Dubai **Villa Rental Rates**

(All figures in AED 000's p.a.)

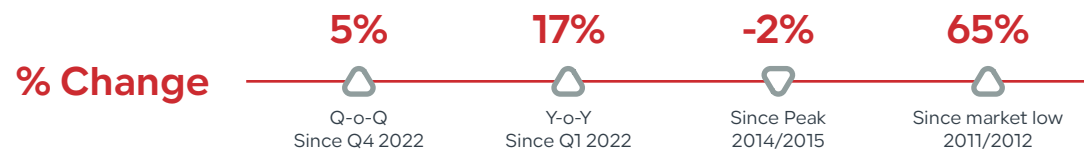
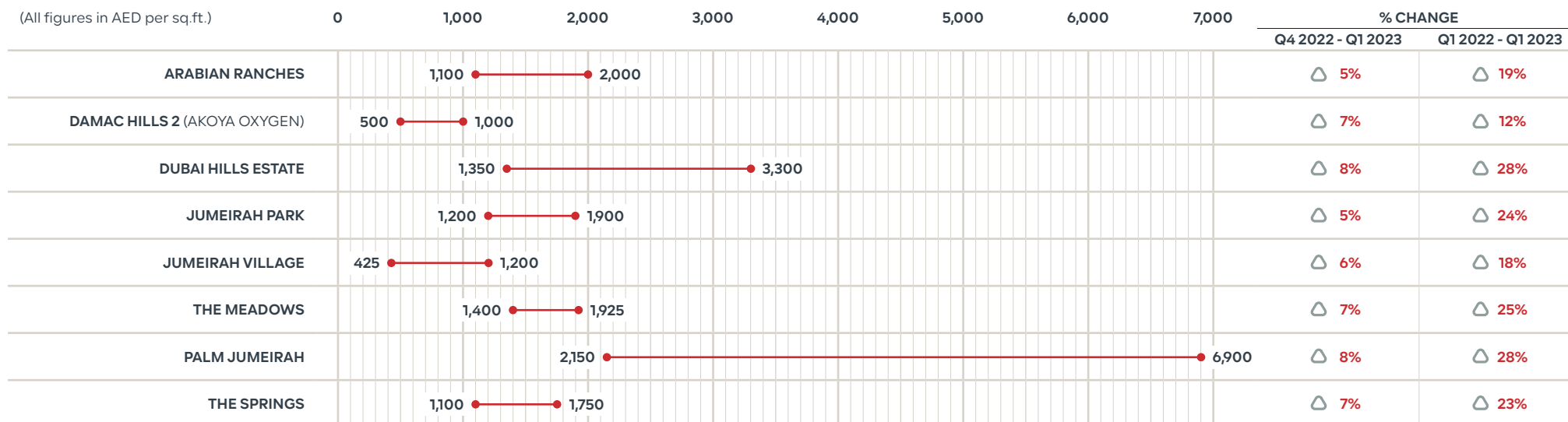
	2 BEDROOMS		3 BEDROOMS		4 BEDROOMS		5 BEDROOMS		% CHANGE	
	From	To	From	To	From	To	From	To	Q4 2022 - Q1 2023	Q1 2022 - Q1 2023
ARABIAN RANCHES	130	180	170	310	235	375	335	480	7%	23%
DAMAC HILLS 2 (AKOYA OXYGEN)	65	80	55	100	65	120	100	130	7%	11%
DUBAI HILLS ESTATE	-	-	210	380	235	425	275	520	8%	32%
DUBAI SILICON OASIS (CEDRE VILLAS)	-	-	160	210	175	225	190	240	5%	14%
DUBAI SPORTS CITY (VICTORY HEIGHTS)	-	-	180	210	200	250	250	385	6%	26%
JUMEIRAH / UMM SUQEIM	-	-	170	265	175	365	225	430	8%	28%
JUMEIRAH PARK	-	-	250	350	275	400	360	520	7%	9%
JUMEIRAH VILLAGE	120	180	130	180	140	220	165	260	7%	27%
THE MEADOWS	-	-	260	360	320	425	300	600	8%	32%
MIRDIF	55	90	80	130	110	160	135	190	7%	14%
PALM JUMEIRAH	-	-	350	650	475	825	650	1,050	9%	34%
THE SPRINGS	120	175	190	265	-	-	-	-	8%	30%
THE LAKES	-	-	240	350	300	410	310	420	7%	21%
TOWN SQUARE	-	-	120	160	150	175	-	-	6%	27%





Dubai Villa Sales Prices

(All figures in AED per sq.ft.)



Dubai Office Rental Rates

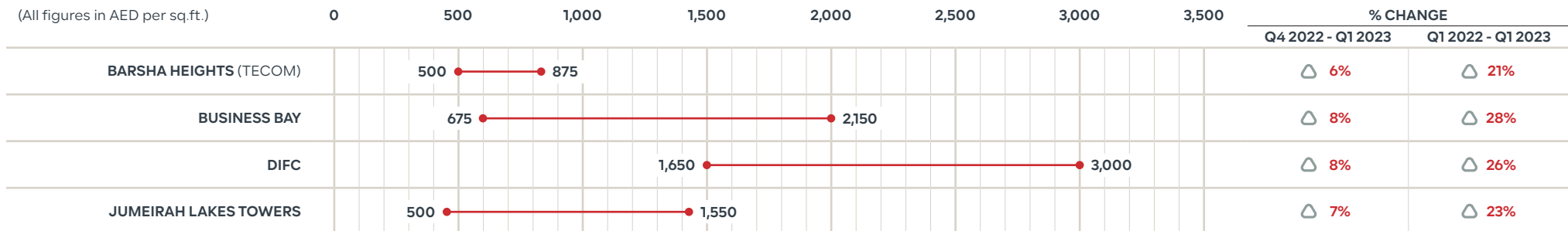
(All figures in AED per sq.ft. p.a.)

	AVERAGE RENTAL RATES		% CHANGE	
	From	To	Q4 2022 - Q1 2023	Q1 2022 - Q1 2023
BARSHA HEIGHTS (TECOM)	55	80	8%	30%
BUR DUBAI	57.5	80	4%	13%
BUSINESS BAY	60	100	8%	27%
DIFC	110	310	8%	30%
JUMEIRAH LAKES TOWERS	55	90	8%	30%
SHEIKH ZAYED ROAD	75	210	8%	26%



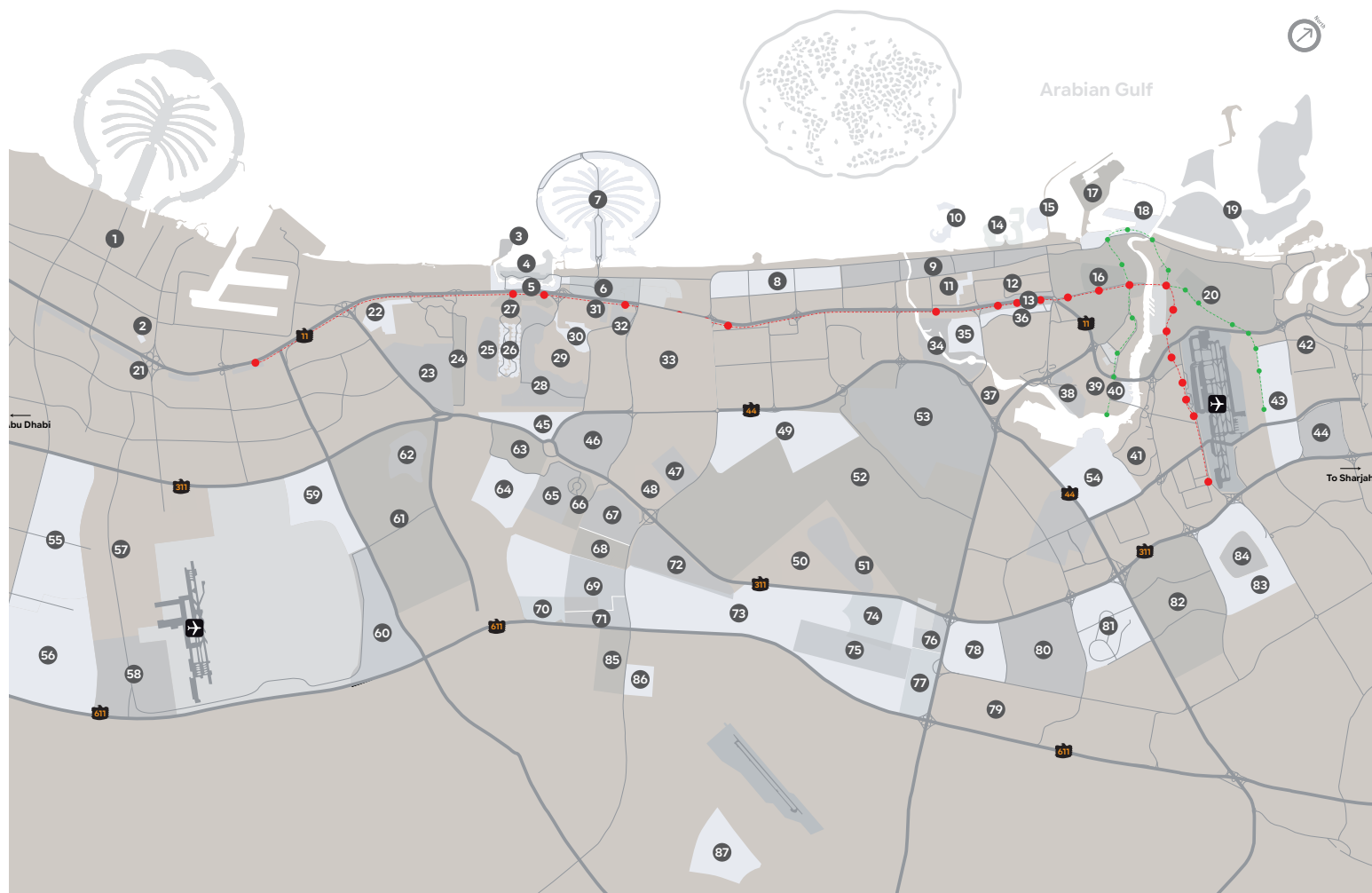
Dubai Office Sales Prices

(All figures in AED per sq.ft.)



Dubai

Property Map



- | | | | |
|----|--|----|-------------------------------------|
| 1 | Veneto | 45 | Jumeirah Village Triangle |
| 2 | Badrah | 46 | Jumeirah Village Circle |
| 3 | Bluewater Island | 47 | Dubai Science Park |
| 4 | Jumeirah Beach Residence | 48 | Arjan |
| 5 | Dubai Marina | 49 | Dubai Hills Estate |
| 6 | Dubai Internet City, Dubai Media City & Dubai Knowledge Park | 50 | Living Legends |
| 7 | Palm Jumeirah | 51 | Al Barari |
| 8 | Umm Suqeim | 52 | Mohammed Bin Rashid City (MBR City) |
| 9 | Jumeirah | 53 | Meydan |
| 10 | Jumeirah Bay | 54 | Dubai Creek Harbour |
| 11 | City Walk | 55 | Commercial District |
| 12 | Al Satwa | 56 | Golf District |
| 13 | Sheikh Zayed Road | 57 | Logistics District |
| 14 | La Mer | 58 | Aviation District |
| 15 | Pearl Jumeirah | 59 | Expo 2020 |
| 16 | Bur Dubai | 60 | Residential District |
| 17 | Dubai Maritime City | 61 | Dubai Investment Park |
| 18 | Port Rashid | 62 | Green Community |
| 19 | Dubai Islands | 63 | Dubai Production City (IMPZ) |
| 20 | Deira | 64 | Jumeirah Golf Estates |
| 21 | Downtown Jebel Ali | 65 | Victory Heights |
| 22 | Wasl Gate | 66 | Dubai Sports City |
| 23 | Al Furjan | 67 | Motor City |
| 24 | Discovery Gardens | 68 | Dubai Studio City |
| 25 | Jumeirah Park | 69 | Damac Hills |
| 26 | Jumeirah Islands | 70 | Remraam |
| 27 | Jumeirah Lakes Towers | 71 | Mudon |
| 28 | The Springs / The Meadows | 72 | Arabian Ranches |
| 29 | Emirates Hills | 73 | Dubailand |
| 30 | The Lakes | 74 | Falcon City of Wonders |
| 31 | The Greens | 75 | The Villa |
| 32 | Barsha Heights (Tecom) | 76 | Liwan |
| 33 | Al Barsha | 77 | DubaiLand Residence Complex |
| 34 | Business Bay | 78 | Dubai Silicon Oasis |
| 35 | Downtown Dubai | 79 | Dubai Academic City |
| 36 | DIFC | 80 | International City Phase 2 & 3 |
| 37 | Dubai Design District | 81 | International City |
| 38 | Dubai Healthcare City - Phase 2 | 82 | Al Warqaa |
| 39 | Al Jaddaf | 83 | Mirdif |
| 40 | Jaddaf Waterfront (Culture Village) | 84 | Uptown Mirdif |
| 41 | Dubai Festival City | 85 | Town Square |
| 42 | Al Nahda | 86 | Mira |
| 43 | Al Qusais | 87 | Damac Hills 2 |
| 44 | Muhaisnah | | |

About Asteco



Asteco is a major regional and international award-winning full-service real estate services company that was formed in 1985 and has gained enormous respect for consistently delivering high quality, professional, value-added real estate services in a transparent manner. The company is also widely recognised for its involvement with many of the projects that have defined the landscape and physical infrastructure of the United Arab Emirates.

The world-class company has a distinguished and important combination of local knowledge and international expertise and has been renowned for its application of the latest technological tools and innovations, its commitment to transparency, winning strategies, and human expertise.

Undisputed Real Estate experts with a regional presence to serve its customers, Asteco proudly represents a significant number of the region's top property Owners, Developers, and Investors.

Asteco offers a wide range of services and solutions to its clients from Valuation Advisory and Building Consultancy, Property Management, Sales & Leasing as well as Franchising services. The company applies innovative solutions and cutting-edge technology to add tangible value for its Clients at every stage of the property lifecycle and to continuously elevate customer experiences.

VALUATION & ADVISORY

Our professional advisory services are conducted by suitably qualified personnel all of whom have had extensive Real Estate experience within the Middle East and internationally.

Our valuations are carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) and International Valuation Standards (IVS) and are undertaken by appropriately qualified valuers with extensive local experience.

The Professional Services Asteco conducts throughout the region include:

- Consultancy & advisory services
- Market research
- Valuation services

SALES

Asteco has a large property Sales division with multi-lingual representatives based all over the UAE. Our Sales teams have extensive experience in the negotiation and sale of a variety of assets.

LEASING

Asteco has been instrumental in the Leasing of many high-profile developments across the GCC.

PROPERTY MANAGEMENT

Asteco provides comprehensive Property Management services to all property Owners, whether a single unit (IPM) or a regional mixed-use portfolio. Our focus is on maximising value for our Clients.

BUILDING CONSULTANCY

The Building Consultancy Team at Asteco have a wealth of experience supporting their Clients throughout all stages of the built asset lifecycle. Each of the team's highly trained surveyors have an in-depth knowledge of construction technology, building pathology and effective project management methods which enable us to provide our Clients with a comprehensive building consultancy service.

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Note: It should be noted that the number of developments/areas has changed over the years in line with the delivery of new stock. As such, the average in the earlier years is derived from a lower number of projects. Whilst representing the apartment/villa/office average at the time, it is not a like for like comparison.