



The **UAE** Real Estate Market

Research | **Q3** 2021

Office

Dubai



Abu Dhabi



Approximately 40,000 sq. m. of office space was delivered in Dubai and 15,000 sq. m. in Abu Dhabi in Q3 2021 – bringing the total stock to 9 million sq. m. in the former city and 3.8 million sq. m. in the latter. In terms of upcoming supply over the remaining part of this year, although no new completions are expected in Dubai, around 19,000 sq. m. of floor space is anticipated to be delivered in Abu Dhabi.

In Q3 2021, rents in Dubai decreased by 1% year-on-year to reach AED 1,685 per sq. m. per annum and remained stable at AED 1,600 per sq. m. per annum in Abu Dhabi. On the same basis, vacancy rates were unchanged at 20% in Dubai and fell marginally to 27% in Abu Dhabi.

International firms have broadly been taking a flexible approach, with staff returning to the office on a rotating schedule. This in turn has led some corporates to consolidate or re-purpose their premises. In other cases, we are witnessing staff returning to the office on a full-time basis. In Dubai, enquiries from technology and e-commerce companies have been strongest as they look to expand their footprints to accommodate their growing workforces.

Over the rest of this year, we expect further growth in new enquiries as business activity continues to rebound. Occupiers looking to relocate or expand are anticipated to focus on good quality office space with attractive incentives in place, such as contribution towards capital expenditure on fit-outs and rent-free periods.

Residential

Dubai



Abu Dhabi



Dubai's residential stock increased to 629,000 units in Q3 2021 as 11,000 units were added over the three months period. For the remaining part of this year, an additional 23,000 units are expected to be delivered. In Abu Dhabi, approximately 2,900 residential units were completed in Q3 2021, bringing the total stock to 270,000 units. By end-2021, about 2,000 units are planned to enter the market.

Strong demand for villas and townhouses continued to drive the recovery in villa sales prices across both cities. Apartment prices have picked up in Dubai on the back of higher demand but remained flat in Abu Dhabi. At a city level, residential sale prices in both Dubai and Abu Dhabi were up by around 4% year-on-year in Q3 2021.

Rental value growth in Q3 2021 remained in negative territory in Dubai, with an average annual decline of 3% across the city. On the same basis, rents in Abu Dhabi were unchanged. Tenants remain in the driving seat when negotiating leasing contracts, with some opting to upgrade to bigger units due to the relatively affordable rents.

With the off-plan market starting to attract investors again, developers have started to launch projects with attractive payment plans in place to capitalise on the uptick in activity.

Over the remainder of this year, we expect demand for quality villa stock to underpin the recovery in sales prices.

Retail

Dubai



Abu Dhabi



In Dubai, the completion of the first phase of a new retail development added approximately 40,000 sq. m. of GLA in Q3 2021 – bringing the total stock to 4.4 million sq. m. Over the remainder of this year, an additional 75,000 sq. m. of retail space is expected to be delivered.

Around 6,100 sq. m. of retail GLA was completed in the third quarter of this year in Abu Dhabi, bringing the total stock to 2.9 million sq. m. In the final quarter of 2021, about 11,000 sq. m. is scheduled to be delivered.

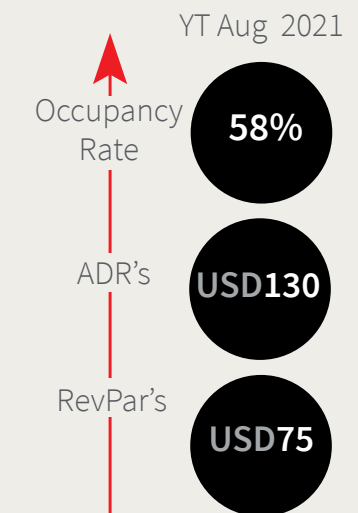
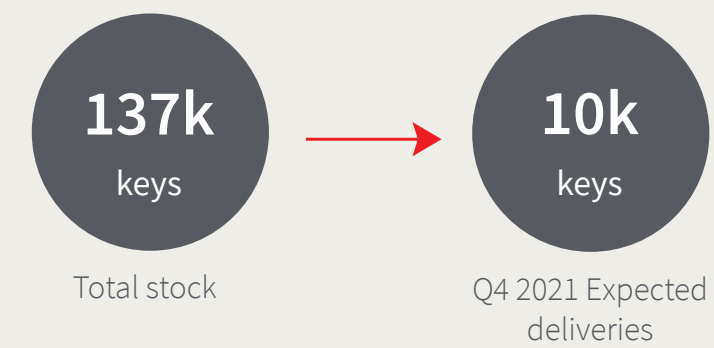
Year-on-year, rents across primary and secondary malls declined by an average of 1% in Dubai and 7% in Abu Dhabi, respectively.

Overall, community malls have been performing well as their footfall is largely driven by the population living in close proximity. In addition, some retailers – particularly those in the F&B and convenience segments – were able to better weather the impact of the pandemic.

We expect the market to continue to be tenant-led over the remainder part of this year, with landlords offering more incentives and flexibility during negotiations. The gradual return of tourists is expected to provide much relief for landlords and retailers alike. The change in rules in September to allow the free flow of traffic between the emirates of Dubai and Abu Dhabi is also likely to help support the UAE's retail sector.

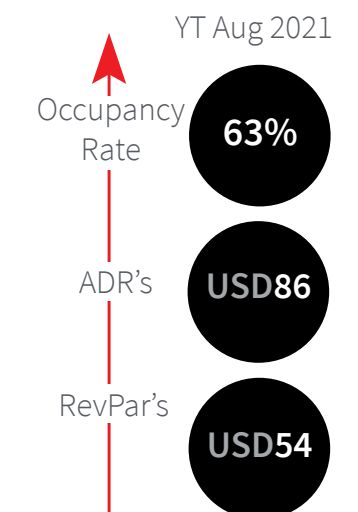
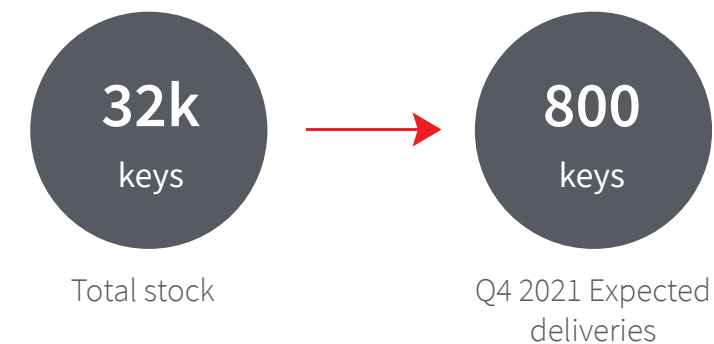
Hospitality

Dubai



Source: STR Global

Abu Dhabi



Source: STR Global

In the third quarter, no new major hotel projects were completed in Dubai or Abu Dhabi – keeping the cities' stocks steady at around 137,000 and 32,000 keys. In Q4 2021, approximately 10,000 keys are expected to be delivered in Dubai and 800 keys in the capital.

Occupancy in Dubai reached 58% in the YTD August 2021, up notably when compared with an outturn of 38% in the corresponding period last year. The city's average daily rates (ADR) were down by 1% year-on-year to USD 130 in the YTD August 2021. Meanwhile occupancy rates in Abu Dhabi rose to 63% over the same period, compared to 60% for YTD August 2020. However, ADRs remained under pressure in the capital, declining by 5% year-on-year to USD 86 in the YTD August 2021.

The UAE hotel market is continuing its gradual recovery from the pandemic, with the luxury market taking advantage of strong leisure demand owing to the country being one of the few international destinations open for tourism.

Luxury offerings and ease of travel restrictions have helped capture demand from European source markets. In contrast, the mid-scale and budget segments remain under pressure, awaiting the return of business travel as well as the reopening of key Asian source markets.

Expo 2020 aims to attract visitors to Dubai over the next two quarters. Recently completed hotel projects should be well placed to benefit from the anticipated influx of tourists.

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.

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 & rental data and transaction data. Q3 data refers to July and August figures only as figures for September were unavailable at the time of writing.

Data on residential performance in Abu Dhabi is based on a **basket of buildings**.



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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