REPORT

SAVILLS RESEARCH 2023

The Property Report

UNITED ARAB EMIRATES

Introduction

The UAE's recovery from the Covid-19 pandemic continued at an accelerated pace in 2022, with the year seeing a resurgence in travel, hospitality, and real estate demand. According to the latest figures from Dubai's Department of Economy and Tourism (DET), the emirate alone received 14.36 million international overnight visitors in 2022, nearly double the 7.28 million tourist arrivals in 2021.

Boosted by high oil prices, the government witnessed an increase in revenues during the year. As a result, the country is expected to record 5.9% growth in 2022 and GDP is set to expand by 4.1% in 2022, according to the World Bank.

The UAE's encouraging performance comes against the backdrop of global economic uncertainties, the prime of which have been inflation, rising interest rates, and therefore, stalling economic growth. According to the World Bank's Global Economic Prospects report, global growth is expected to be 2.9% in 2022 and fall to 1.7% in 2023.

The UAE on its part has powered on with favourable economic policies that encourage long-term residency, ease of business setups, and increasing opportunities for job seekers. A robust and growing residential market, upgraded infrastructure, and easing social rules for residents are growing the appeal of the emirates among the international population.

Residency laws were further expanded in 2022, allowing for a broader Golden Visa program, introducing new visas such as the 5-year Green visa, increasing the maximum age to sponsor sons from 18 to 25, and allowing employment visa holders to stay for an extended period following visa cancellation. To further protect the interest of the working population, the UAE also announced that a mandatory Unemployment Insurance Scheme would be implemented at a nominal fee in 2023. Workers who lose their jobs would be covered for up to AED20,000 per month for three months from the date of unemployment.

Changes to federal laws related to areas such as marriage, divorce, inheritance, equal pay, labour, and protection of women's rights reflect progressive measures to improve living standards, further supporting the UAE's attractiveness as a lifestyle, business, and tourism destination.

The UAE has been ranked the top Arab country and 19th in the world for its ability to attract FDI inflows as per the World Investment Report 2022 issued by the United Nations Conference on Trade and Development (UNCTAD). It aims to further increase its appeal to foreign businesses to set up here, after first introducing reforms on foreign ownership and investment to allow 100% ownership of limited liability companies (LLCs).

During the year, sectors that attracted the highest foreign investor interest were oil & gas and technology, including fintech. Emerging sectors such as blockchain and cryptocurrencies have also piqued the industry's interest, with cryptocurrency platforms Bybit and Crypto.com announcing moves to Dubai in March, followed by Kraken in Abu Dhabi. The Emirati artificial intelligence company G42 launched a USD 10 billion investment fund targeting fintech, digital infrastructure, and other sectors.

The industrial space is also witnessing healthy activity, in line with "Operation 300bn", a 10-year strategy that aims to grow the industrial sector by increasing its contribution to the GDP from AED 133 bn to AED 300 bn by 2031.

Finally, on the last day of 2022, the authorities announced the suspension of 30% alcohol tax and a waiver of individual alcohol license fees from 1 Jan 2023, in a bid to make the lifestyle more accessible and desirable for visitors and residents, many of whom are expats.

One of the biggest announcements of 2022 was perhaps the introduction of the Corporate Tax of 9% on companies whose income exceeds AED 375,000, to be implemented from 1 June 2023. The move was announced to showcase the competitiveness of the UAE to set up businesses and increase transparency and accountability of all stakeholders. At 9%, the rate is still much lower when compared to other global commercial hubs, many of which exceed 20%. The proceeds would help the government increase revenues and re-invest back into implementing policies that further enhance the offerings by the emirates.

In 2023, the country will also host the prestigious COP 28 climate conference, dubbed as the biggest event of the year. This follows the successful hosting of the Expo 2020 which ended in March 2022 and capitalising successfully on the recent FIFA World Cup in neighboring Qatar, which saw regional airlines operate over 100 daily shuttle flights between Dubai and Doha for the audience.

Looking ahead, planning continues for the upcoming years with the second phase of the Dubai 2040 Urban Master Plan announced in late 2022. The plan consists of several projects under ten key initiatives, including Enhancing Urban Centres, Dubai Real Estate Strategy, Urban Farming Plan, Preserving Urban Heritage Plan, Developing the 20-Minute City Policy, and the Pedestrian Network Master Plan.

2023

ABU DHABI

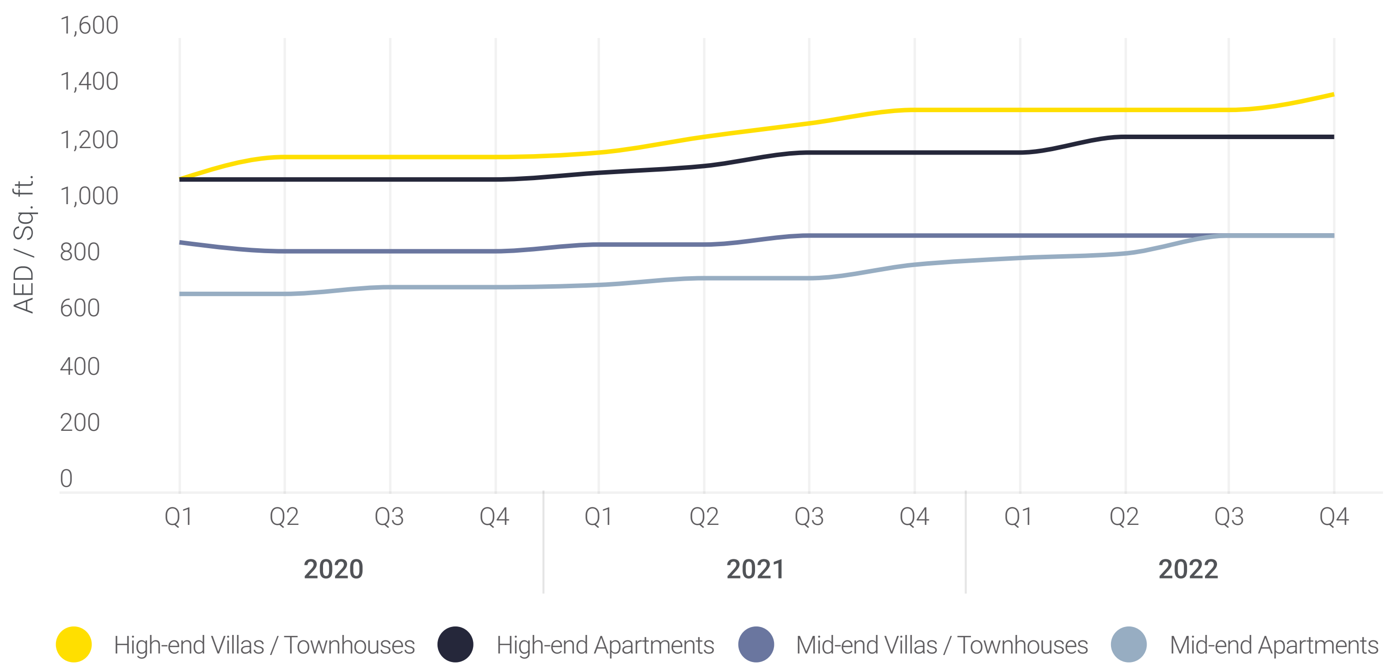
Residential

The residential sector in Abu Dhabi is growing at a steady pace year-on-year. The market is gradually enhancing its transparency which is increasing its appeal to a wider investor and end-user pool, beyond the traditional investor segment. However, this transition is still at a nascent stage, and demand is predominantly led by UAE nationals and GCC residents.

The residential sector has benefitted from a steady increase in the number of regional as well as global companies expanding their office footprint across the city. The financial centre and free zone of Abu Dhabi Global Market (ADGM) has seen an increase in occupancy levels as a result of recent policy level changes across the UAE, and there is a continued focus from the Abu Dhabi government to further deepen its capital markets and financial services sector.

Residential transaction activity remained strong throughout 2022 with demand concentrated across locations such as Yas Island and Saadiyat Island. New project launches also contributed to upbeat transaction levels. Prominent projects launched during the year include the 612-unit Grove Heart and 421 units of Louvre Residences at Saadiyat Island, and Yas Acres North Bay, Yas Golf Collection and Yas Park Gate (a total of 1,045 units) at Yas Island by Aldar Properties. Cordoba (257 units) as part of Bloom Living by Bloom Properties and The Sustainable City (864 units) at Yas Island were among the other key projects to be launched during the year. In line with supply, demand was predominantly concentrated across Yas Island and Saadiyat Island. Yas Island saw a gradual increase in the number of Family Entertainment Concepts (FEC) and F&B offerings throughout 2022, making it more appealing for families and a younger population base. Saadiyat Island, on the other hand, continues to remain a highly sought-after option due to its established high-end and luxury product offering and proximity to educational institutes. Similarly, leasing activity remained stable across the city, however, the bulk of inquiry levels were observed from tenants moving to better-quality units.

CAPITAL VALUE TREND



Source Savills Research

RENTAL VALUE TREND

MICRO-MARKET	CONFIGURATION	AVERAGE ANNUAL RENT (AED)	Y-O-Y CHANGE (%)
VILLAS / TOWNHOUSES			
Al Reef	4 Bedroom	140,000	7.7%
Hydra Village	3 Bedroom	65,000	0.0%
Golf Gardens	3 Bedroom	200,000	0.0%
Al Raha Garden	3 Bedroom	155,000	6.9%
Saadiyat Island	4 Bedroom	420,000	31.3%
APARTMENTS			
Al Reef	2 Bedroom	62,000	3.3%
Al Raha Beach	2 Bedroom	110,000	0.0%
Saadiyat Island	2 Bedroom	130,000	36.8%
Al Reem Island	2 Bedroom	100,000	11.1%

Office

Demand for office real estate remained buoyant across Abu Dhabi throughout 2022. Leasing activity during the year was led by new market entrants, especially from the financial services sector across the free zone micro market of ADGM. Consolidation and M&A activity within government and semi-government entities across the emirates and companies from the oil & gas sector were among the other key occupiers of office space across the city. Firms from this sector have benefitted from a prolonged period of high oil demand and prices over the last two years.

The increased interest from financial services companies to set up their operations across Abu Dhabi is testimony to the emirate's successful efforts to strengthen its capital markets, diversify its economic sectors and become the hub for fintech activity in the region. The efforts are driven by the USD 1.3 bn IPO fund that was launched to help private companies to list on the local stock exchange, and are likely to gather further momentum as the emirate plans to double its market capitalisation as part of the ADX One strategy. The office market is poised to benefit from this trend over the next few years.

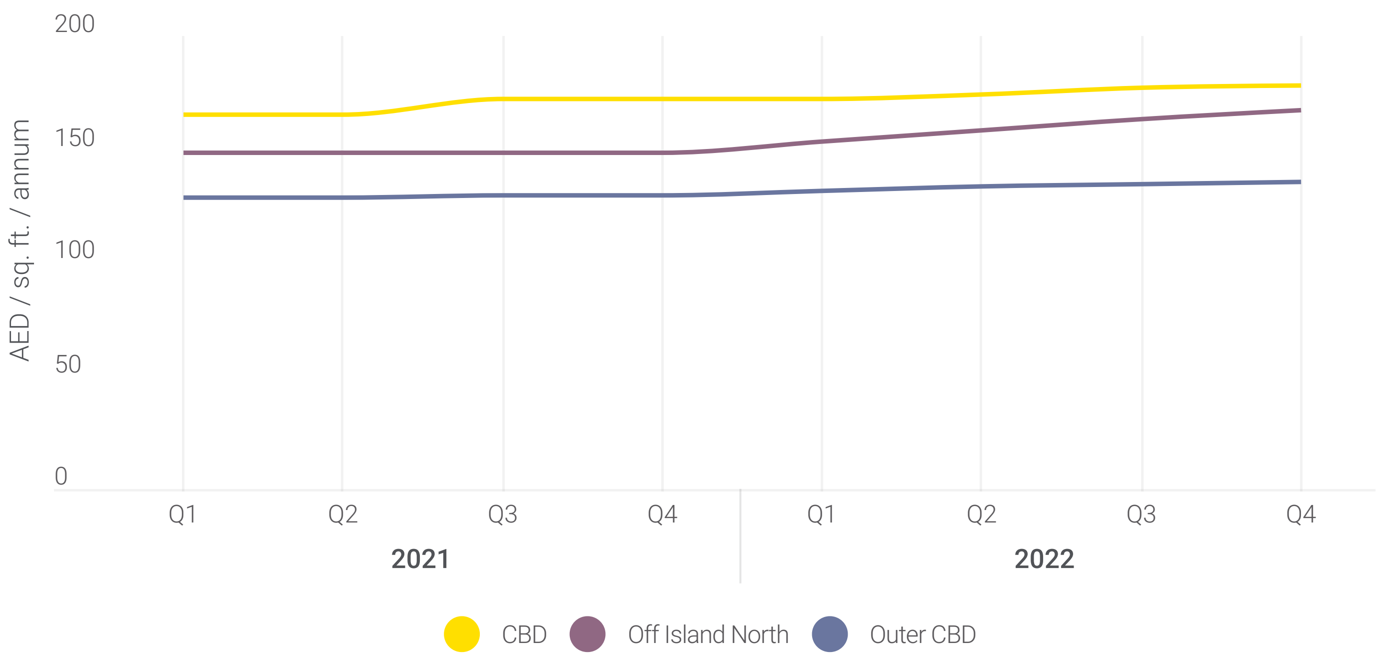
The setting up of new government entities and expansion by existing players is resulting in increased inquiry levels for office space. During the year, various small and medium-sized office transactions were recorded across the emirate, resulting in high occupancy across various Grade A assets, which are largely preferred.

The flexible / serviced office market has also benefitted as a result of the upbeat economic sentiment. Most of the prominent flexible space operators across the capital are recording healthy occupancy levels, especially at ADGM where demand has spiked particularly from new market entrants. Landlords across the emirate are capitalising on this growing trend and are considering offering fully-fitted plug-and-play office space as part of their portfolios.

However, new supply addition remains limited, which is likely to drive prices upwards. Especially the supply of high-demand Grade A space remains a challenge across the emirate. The only known major project that is likely to be delivered includes six buildings as part of Masdar City Square (MC2) offering approximately 100,000 sq m of net-zero energy office space. The project is scheduled to be completed by 2024.

As a result of the steady demand levels, rental values across most Grade A assets have increased compared to 2021. On average, rental values have increased by 7% across the key office districts of Abu Dhabi, with the ADGM building recording the highest increase in rental values compared to the other Grade A developments.

RENTAL VALUE TREND



Source Savills Research

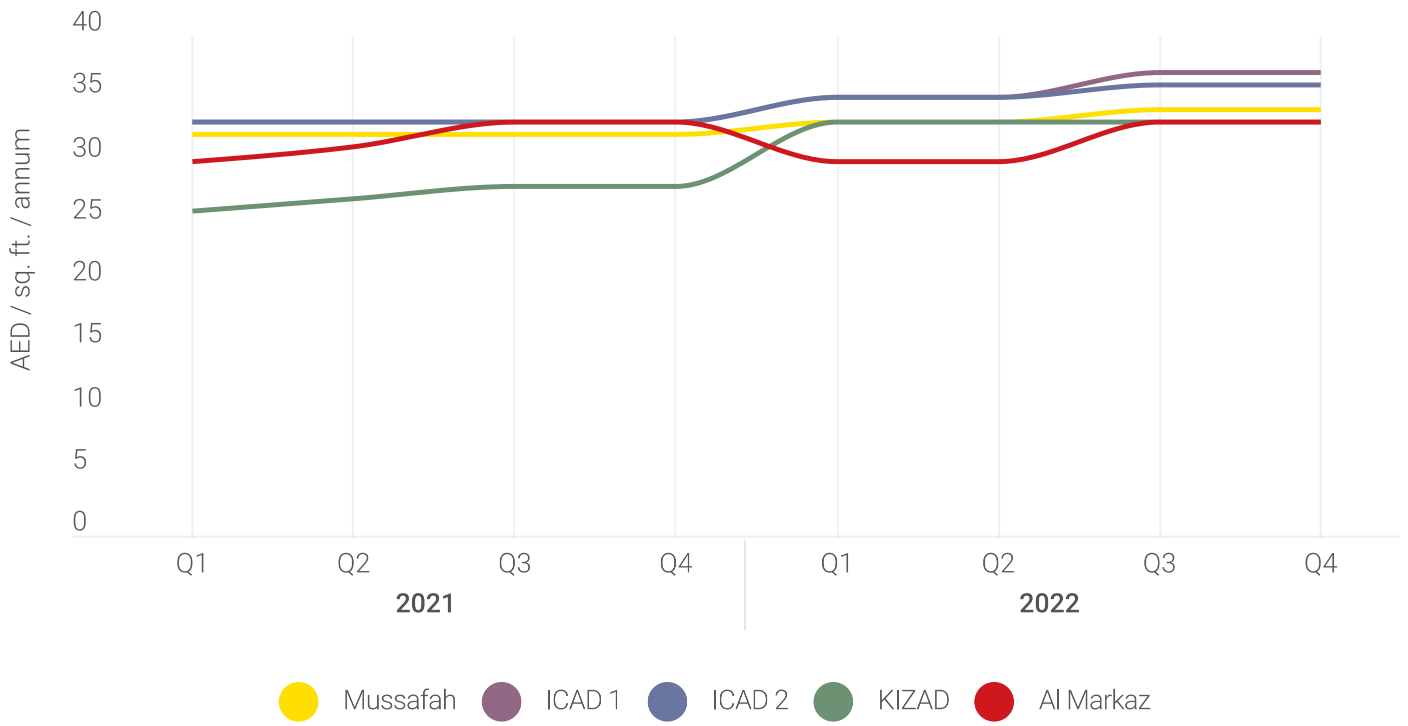
Industrial and Logistics

Abu Dhabi's economy grew by 10.5% during the first nine months of 2022. The strong economic growth during the year has been a key attraction for companies considering the emirate. Occupier sentiment towards the capital remain positive on the back of favourable policy changes and abundant investments in infrastructure development. Critical infrastructure projects such as the Khalifa Port and Etihad Rail have reached key development milestones and global recognition. As per a recent report by the World Bank and S&P Global Market Intelligence, the Khalifa Port was ranked among the top five in the global Container Port Performance Index (CPPI) whilst Etihad Rail has begun undertaking test runs on certain sections of the 1,200 km track which is proposed to connect all the seven emirates.

In line with the strong demand levels for logistics space across the country, demand for industrial and warehousing space remained upbeat across Abu Dhabi during 2022. Occupier activity was strong across KIZAD and ICAD. Across KIZAD, the recently launched Food Hub, spread across 3.3 sq km has positioned Abu Dhabi as a leading player in the food storage and distribution segment across the UAE and the wider MENA region. During the current review period, numerous small and medium-sized transactions were recorded across KIZAD from companies related to the F&B industry. It also aligns with the country's vision to be among the top nations in the Global Food Security Index, where the UAE is ranked 23rd out of 113 nations.

Companies from the oil & gas sector, 3PL players, and e-commerce companies were among the other key occupiers of the logistics space across the emirate. Whilst various small to medium-sized transactions were recorded, the city also witnessed the take-up of approximately 252,000 sq m of Grade A space by regional e-commerce marketplace noon.com. It is the UAE's largest fulfilment centre and one of the largest in the MENA region. The project, which is located in KIZAD, will further cement the emirate's position as a key industrial and warehousing hub in the region. Supply addition has also gathered momentum on the back of strong demand levels. Prominent handovers during 2022 include the 76,500 sq m phase five development at KIZAD. Amidst healthy demand levels, rental values have also increased across most industrial zones across the emirate. Rental values increased by almost 17% y-o-y across KIZAD, whilst they grew by an average 10% y-o-y across ICAD 1 and 2.

RENTAL VALUE TREND



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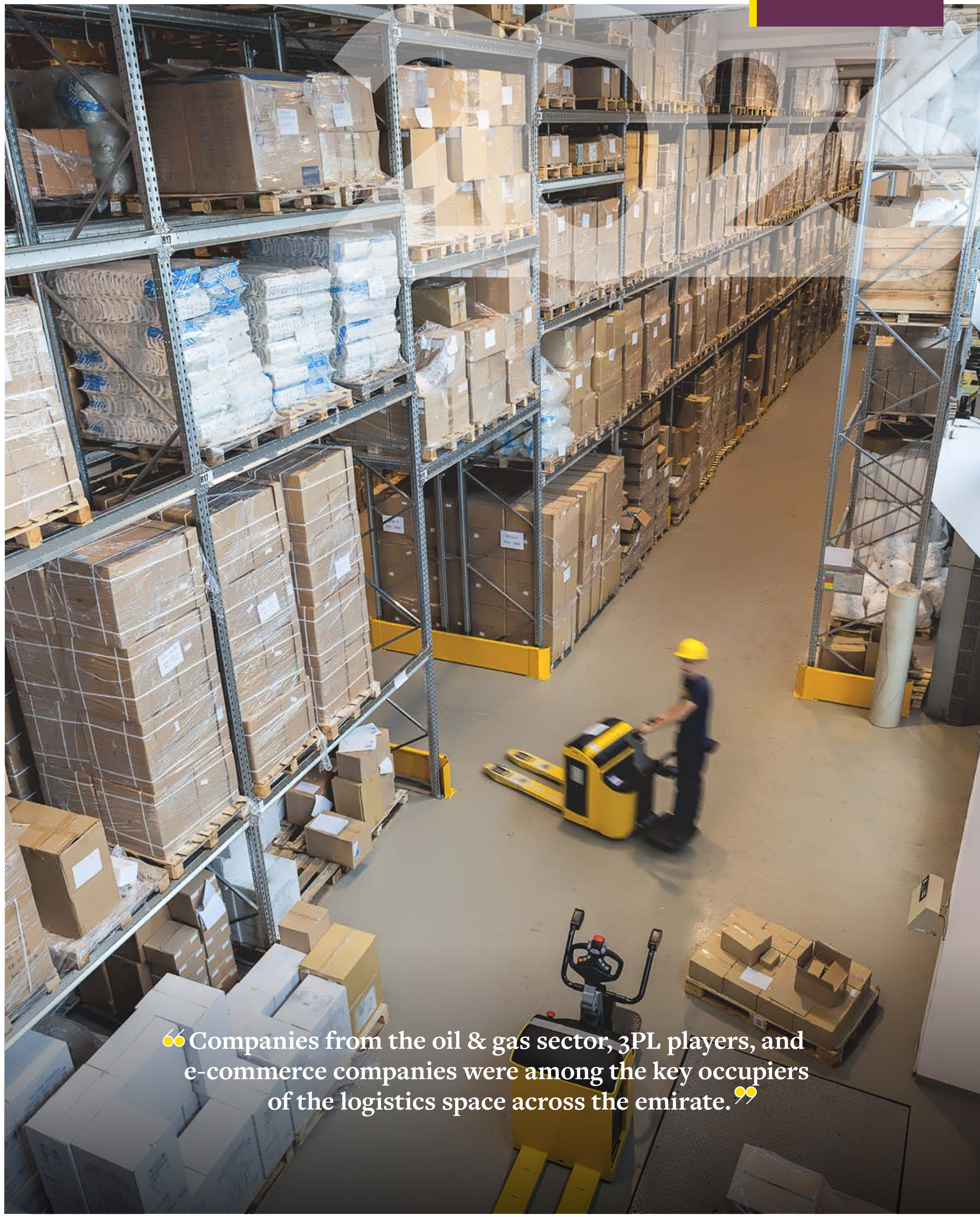


2023

DUBAI

Residential

Residential real estate in Dubai witnessed very strong growth in 2022. Transaction activity increased by 66% from 2021, setting new records in terms of deal volumes. A total of 92,000 units were transacted across the city, the highest number in its recorded history. The total value of real estate transactions reached USD 61 bn, an increase of 74% compared to USD 35 bn witnessed in 2021.

A total of 62,200 apartment units were transacted, representing 68% of the overall deal volume. Demand was observed across both off-plan and ready properties and the highest number of transactions were recorded across locations such as Business Bay (7,900 units), Jumeirah Village Circle (5,200 units), Downtown Dubai (4,400 units), Dubai Marina (3,800 units) and Dubai Creek Harbour (3,300 units).

Similarly, demand for villas/townhouses witnessed a 48% y-o-y increase in 2022. Most of the transactions across villas/townhouses were concentrated across off-plan projects (making up 57% of the total villa/townhouse transactions). The bulk of activity was recorded across locations such as Damac Lagoons (5,900 units), Al Furjan (1,600 units), Damac Hills 2 (1,500 units), Villanova (1,200 units) and Arabian Ranches Phase 3 (1,100 units). Most of these locations have seen new project launches during 2022, which has been a primary driver of the strong off-plan transactions.

New project launches also grew by 73% in 2022. A total of 35,900 units were launched, comprising 71% apartments and 29% villas and townhouse developments. Notable villa/townhouse development launches include new phases across Damac Lagoons, approximately 780 units at The Valley by Emaar Properties, 700 units across Town Square, and 600 units at Jebel Ali Village by Nakheel.

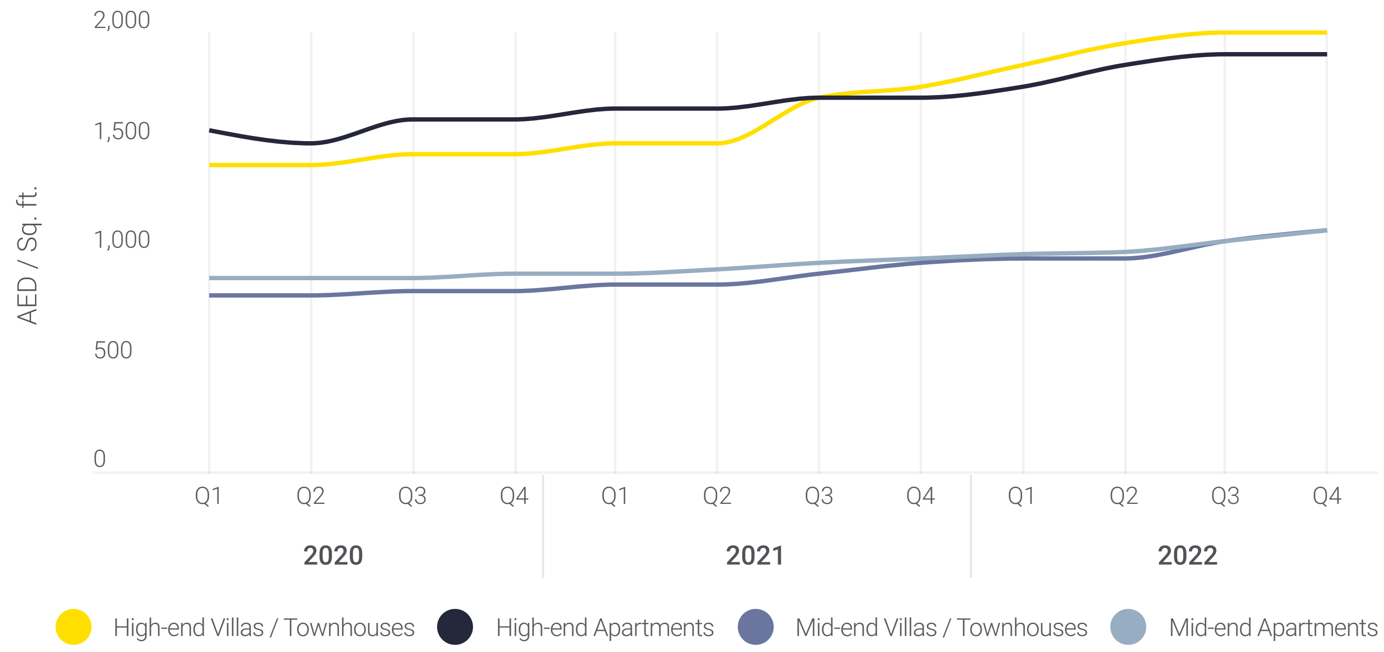
For apartments, new supply addition was strong across Jumeirah Village Circle (3,600 units), Business Bay (2,700 units), Sobha Hartland (1,600 units), Dubai Creek Harbour (1,600 units), and Arjan (1,500 units).

The general trajectory of property prices has been upward, however, the rate of the price increase and the timeline for the increase has varied across micro-markets. Capital values for prime/luxury developments across established locations with limited supply and development potential have seen the highest increase in values. The city outperformed even at a global level for prime properties, with an average price growth of 12.4% y-o-y, the second highest growth after Miami, as per the Savills World Cities Prime Residential Index report which tracks prime residential property price movement across 30 global cities.

Locations with significant upcoming supply/project handovers have seen a moderate increase in prices. Also, price growth was more prominent during H1 2022 whilst the rate of price increase slowed towards the end of the year. With the existing high-interest rate environment and property prices (relative to 2021), buyers are adopting a cautious approach to property investment and are more inclined towards off-plan developments with extended payment plans.

Compared to 2021, capital value growth has been slow. On average, capital values across the city increased by 9% y-o-y across apartments and 14% y-o-y across villas/townhouses. Whilst these are average price movements across properties in the city, there are segments and locations of the market where price increases have been closer to 20% or higher, whilst others have grown by less than 10%.

CAPITAL VALUE TREND



Source Savills Research

RENTAL VALUE TREND

MICRO-MARKET	CONFIGURATION	AVERAGE ANNUAL RENT (AED)	Y-O-Y CHANGE (%)
VILLAS / TOWNHOUSES			
Al Furjan Villas	4 Bedroom	200,000	33.3%
Springs – Townhouses	3 Bedroom	220,000	46.7%
Mira – Townhouses	3 Bedroom	150,000	25.0%
Arabian Ranches 1 – Alvorada Villas	4 Bedroom	350,000	29.6%
APARTMENTS			
Downtown Dubai	1 Bedroom	100,000	33%
Business Bay	2 Bedroom	120,000	41%
Jumeirah Lakes Towers	2 Bedroom	110,000	16%
Dubai Marina	2 Bedroom	165,000	27%
The Greens	3 Bedroom	140,000	40%

Office

Office real estate in Dubai remained buoyant throughout 2022 with the UAE's economic landscape and positive outlook being a catalyst for office leasing activity. Despite global headwinds, corporates in the city continued to consolidate their operations across Grade A assets. A lack of new Grade A supply and limited availability across existing projects has led to a sharp drop in vacancy levels across good quality projects in the city.

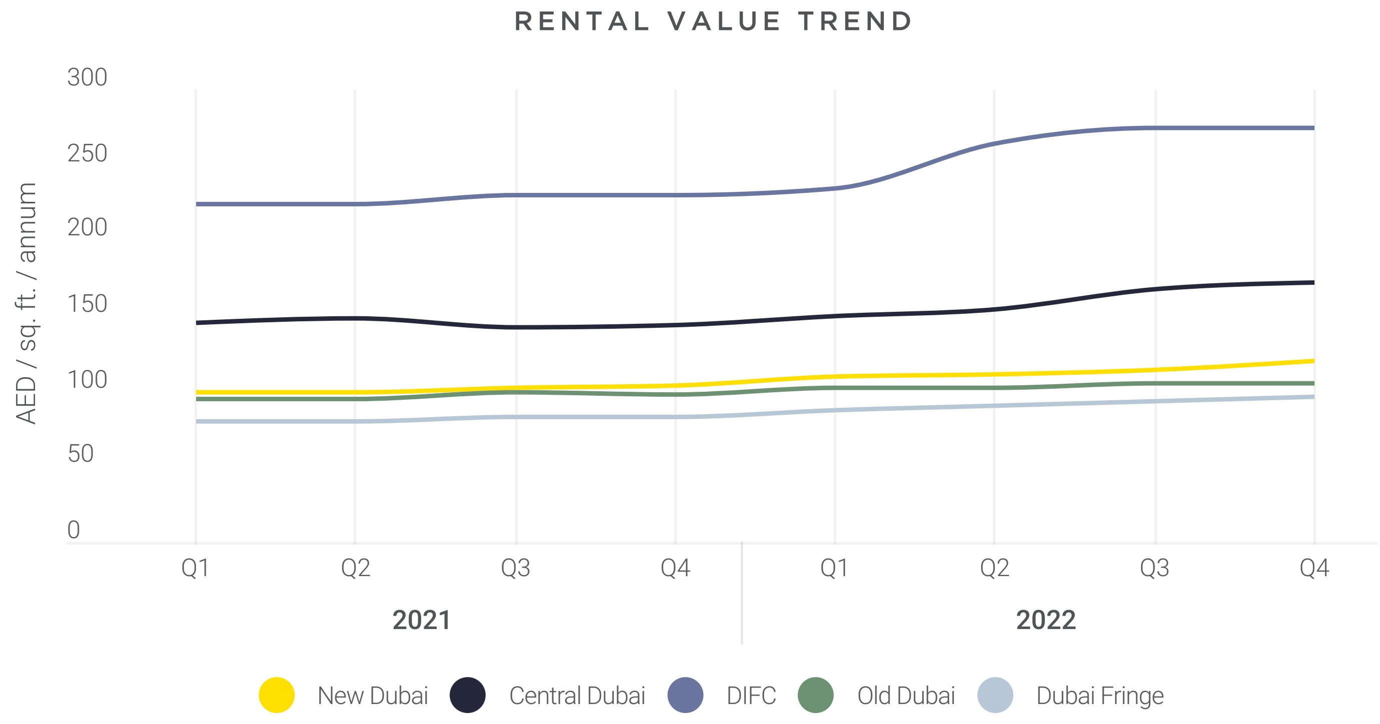
Flexible space operators have capitalised on the trend of a growing number of companies adopting hybrid working and limiting their capex expenditure. They have subsequently expanded their real estate footprint across existing developments by taking up additional space / floors or extending their service offerings to other projects. Their popularity has resulted in near full capacity across prominent service providers, with space across a select few operators only available after at least a six-month waiting period. This bodes well for the overall office sector as landlords benefit from high occupancy levels and their property offers flexible, fully-furnished, ready-to-move-in space to existing conventional office occupiers.

In terms of occupier demand, companies from the banking and financial services space, law firms and consulting companies have been at the forefront of leasing space across the city. Dubai has been active and successful in hosting various events across the financial and fintech sector which has helped to improve its profile on the global stage. This coupled with policy-level changes and ongoing efforts to make the city a hub for financial services has resulted in positive demand for office space. One such example is the recent agreement between The Securities and Commodities Authority (SCA) and the Dubai World Trade Centre Authority (DWTCA) in Q3 2021 supporting the regulation, offering issuance, listing and trading of cryptocurrency assets and related financial activities within DWTCA's free zone. In 2022, this led to an uptick in demand from the sector and vacancy rates across DWTC offices have subsequently dropped to less than 15%.

Mergers and acquisitions (M&A) activity across the country has also been a driver for consolidation-led office demand across Dubai. As per a recent report, the UAE remained the top market for M&A activity, with 155 deals worth AED 63.2 bn signed during the first nine months of 2022. Companies from the pharmaceutical sector were the other key occupiers of office space across the city. A mix of M&A activity across the sector and the entry of new companies has been the primary driver of demand. Meanwhile, in line with their global strategy of cutting costs, global tech firms may consider right-sizing their office footprint. However, the local and regional governments are pushing ahead with their digital transformation agenda which is in turn pushing demand for tech and tech-related firms to establish presence, leading to a short-term real estate conundrum for some companies.

The positive market sentiment has led to gradual rental increases across the city during 2022 after a prolonged period of price correction which started in 2015. On an annual comparison, rental values have increased by almost 15% y-o-y across the city for Grade A space. However, rental values across a select few markets such as One Central have increased to AED 250 – 280 / sq ft / annum, whilst rents across JLT, Business Bay and DIFC have outperformed the market, increasing by an average 25% when compared to Q4 2021.

"A mix of M&A activity across the sector and the entry of new companies has been the primary driver of demand"



Source Savills Research

Industrial and Logistics

Industrial and logistics facilities continued their strong demand trajectory experienced during the pandemic outbreak with 2022 witnessing consistent growth in occupancy levels as well as an increase in rates. During the first half of the year, demand was driven by companies related to the oil & gas industry. The boost in oil prices resulted in increased investments and capacity expansion by engineering and other support services companies related to the sector. There was a marked increase in inquiry levels from companies headquartered in the US, UK, Norway and the Netherlands to set up operations or expand their existing industrial footprint across Dubai, specifically to cater to the oil & gas sector.

The other leading demand generators were e-commerce and 3PL (third-party logistics) companies which remained constantly active throughout 2022. The e-commerce sector has seen significant growth across the region and particularly in the UAE. As per a recent report, the UAE e-commerce market reached AED 18.4 bn in 2021, up from approximately AED 10 bn in 2020, and is anticipated to surpass AED 29 bn by 2025. 3PL players have been proliferating on the back of the boom in a maturing e-commerce sector and the economic diversification efforts across the region. The second half of the year saw a number of new entrants to the UAE, majorly from India, China and Russia, who were active occupiers of warehousing space across the UAE. Warehousing and industrial zones in Dubai particularly have also started to benefit from the Comprehensive Economic Partnership Agreement (CEPA) signed with India, due to which trade between the two countries has jumped 30% since its implementation. As a result, demand from wholesale trading firms increased especially in the second half of 2022. Along with these local factors, an increase in M&A activity across global 3PL players may lead to consolidation and efficiencies realised in their warehouse portfolios.

The Government's innovative plan and vision to position Al Quoz as a creative hub for art and culture has accelerated relocation activity from industrial and logistics occupiers. Beneficiaries of this relocation trend have been Dubai Investments Park (DIP) and Dubai Industrial City. An instance of relocation from Al Quoz was that of a leading retail logistics provider that leased 200,000 sq ft in DIP. We anticipate this trend to continue throughout 2023, although a number of last mile and automotive service centres will likely remain in Al Quoz due to the central location.

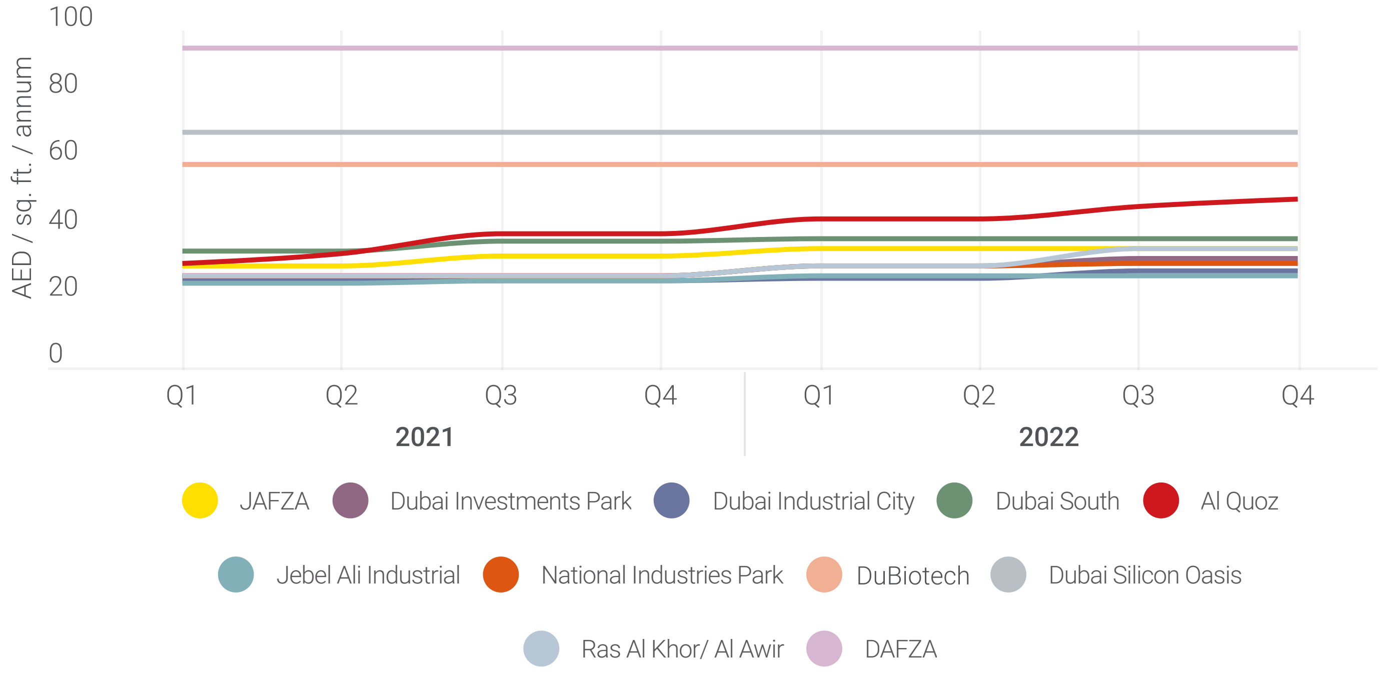
Among other notable transactions concluded during the year, Maersk Kanoo leased 162,000 sq ft to create the 'Maersk Integrated Logistics Centre DWC' facility in Dubai South's logistics district, whilst DHL Express and Mumzworld leased solar-powered logistics facilities in Dubai South's EZDubai zone. The UAE's leading supermarket operators Lulu, Grandiose, and Geant also opened a number of new store locations which increased the absorption of mainland warehouse space for them to stock their supplies.

Landlords remain optimistic as occupancy levels have increased on the back of the positive long-term economic outlook and expected growth of the sector. As a result, supply addition is likely to increase going forward. During the year, Dubai South developed two Grade A 8,200 sq m last mile centres, both of which were pre-leased during construction. JAFZA's 46,000 sq m logistics park is due to be completed in 2023 and has similarly received interest on a pre-lease basis. In addition, there are a number of warehouse developments underway which are scheduled to be ready in 2023 in key industrial zones including Al Quoz, JAFZA, and National Industries Park.

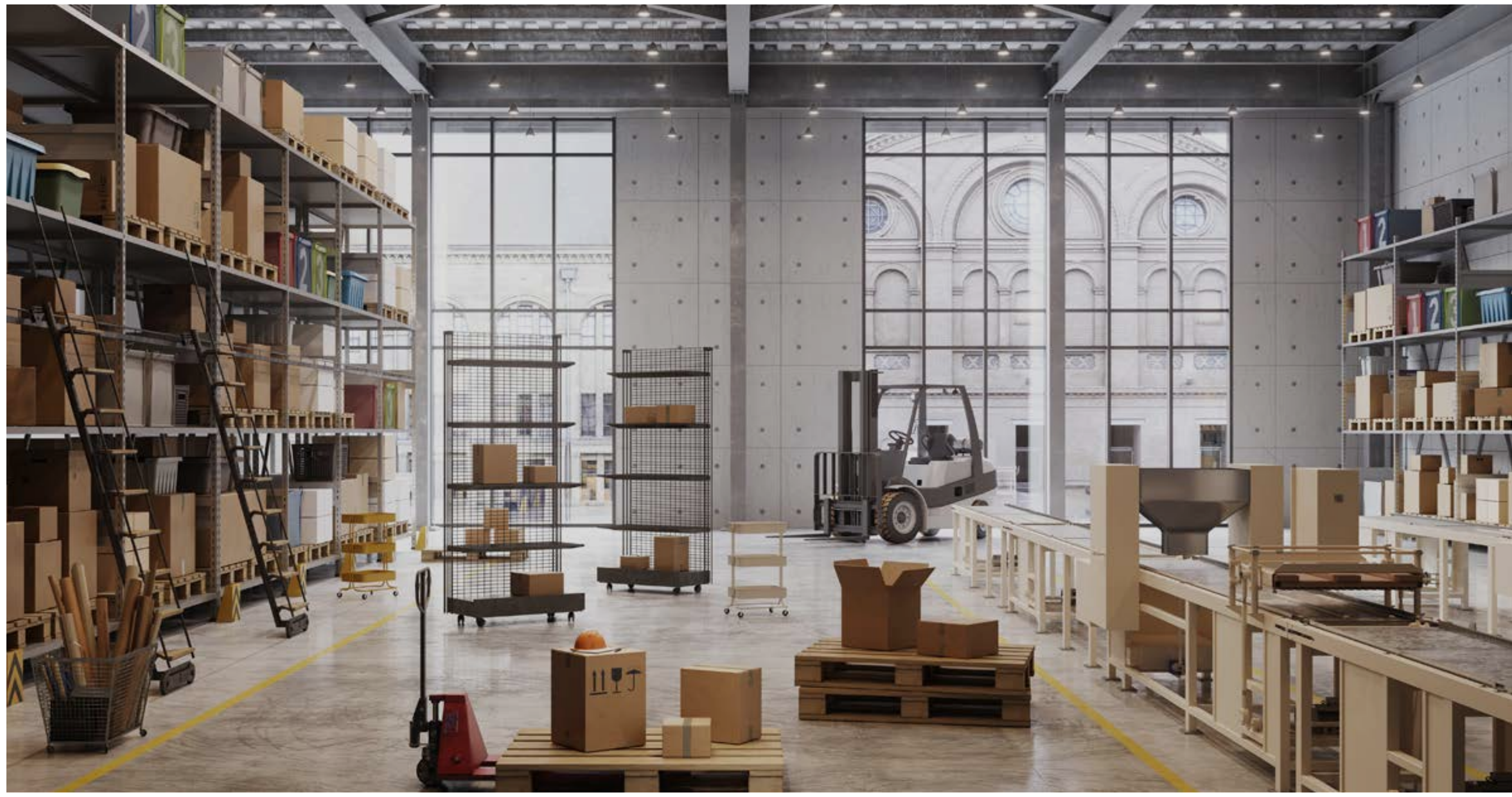
The construction of Etihad Rail's 1,200 km network, which is complete and currently undergoing testing in parts, will boost the UAE's position as a global trade hub as it further improves connectivity within the GCC. It will directly benefit industrial zones connected to airports and seaports, which are typically of the highest quality and the most soughtafter.

> "Landlords remain optimistic as occupancy levels have increased on the back of the positive long-term economic outlook and expected growth of the sector."

RENTAL VALUE TREND



Source Savills Research



2023

SHARJAH

Residential

Demand for residential real estate has remained strong across Sharjah. The city has been a preferred location for residential developments over the years. A large portion of the expatriate population that works in neighbouring emirates also prefers to stay in Sharjah due to the relatively affordable rental values and established social infrastructure. Along with the strong demand for rental properties, there has been a steady increase in demand for freehold properties especially villa and townhouse developments across the E611 post the launch of Masaar, Al Mamsha, and other developments.

Across the rental market, there is a growing segregation between good quality high-end projects and the rest of the market. The high-end segment of the market has seen robust demand and occupancy levels are estimated to be more than 90%. Due to the strong demand levels, good quality stocks command a premium over the rest of the market. Average rents for a 1-bed apartment would range between AED 35,000 to 40,000 / sq ft /annum, whilst newer developments can command an additional premium of 20% or more.

There is a significant amount of residential supply that is expected to be handed over in 2023 and beyond. This is likely to have a negative impact on older properties in the secondary market going forward. Across good-quality Grade A assets, rental values are likely to remain largely stable. However, poor-quality older stocks will start witnessing an increase in vacancy levels and rental correction as tenants and end-users move to newer developments.

RENTAL VALUE TREND

MICRO-MARKET	CONFIGURATION	AVERAGE ANNUAL RENT (AED)	Y-O-Y CHANGE (%)
APARTMENTS			
Al Majaz	2 Bedroom	35,000	9.4%
Al Sharq	1 Bedroom	20,000	25.0%
Al Qasimiya	1 Bedroom	22,000	22.2%
Al Khan	2 Bedroom	35,000	16.7%
University City / Al Muwaileh	2 Bedroom	35,000	9.4%

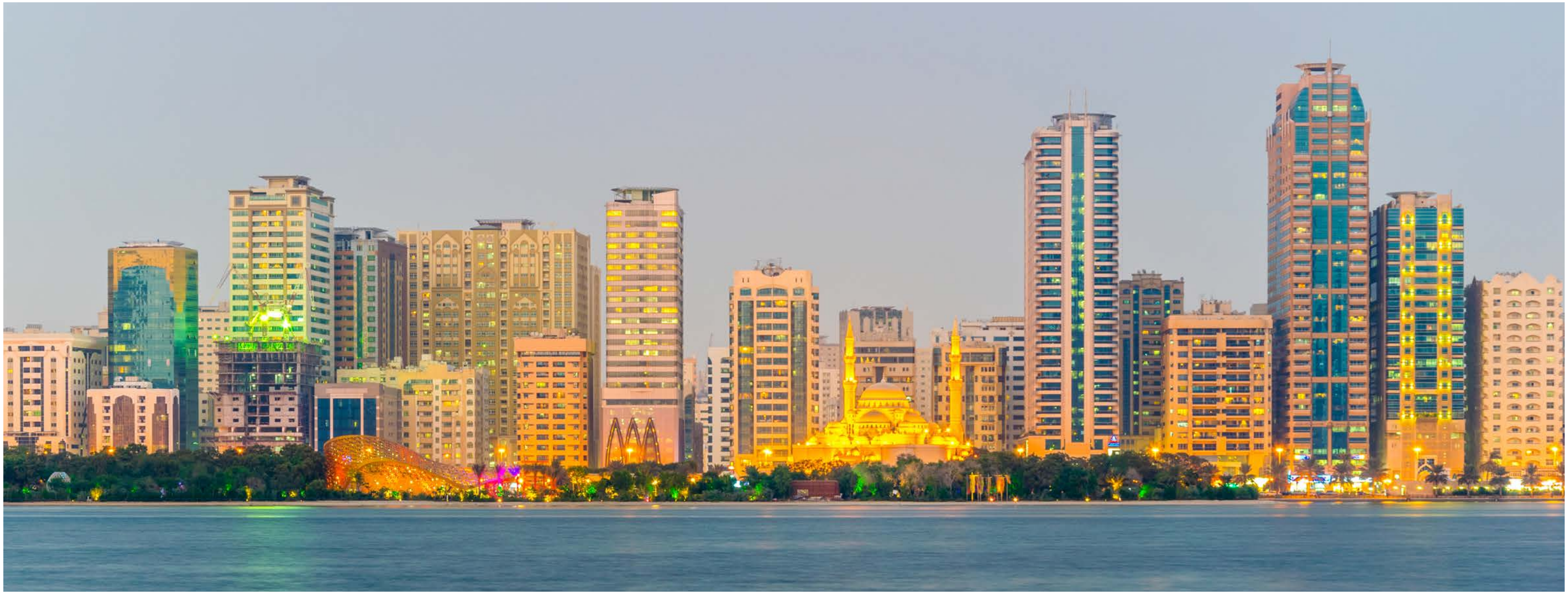
“Across the rental market, there is a growing segregation between good quality high-end projects and the rest of the market.”

Office

Office real estate demand in 2022 remained similar to that witnessed in 2021. Leasing activity was largely concentrated across the established and prime areas of the city. Despite stable transaction activity, vacancy levels remained high and averaged around 40-50% across Grade A developments, which has led to flat rental levels across assets. Enquiry levels did however see a noticeable increase towards the end of 2022, which is likely to improve occupancy levels across office developments throughout 2023. Recent lease transactions for Grade A office units within prime locations in Sharjah ranged between AED 60 to AED 70 / sq ft / annum, while secondary locations and Grade B projects have seen rental levels of AED 40 to AED 50 / sq ft / annum on average.

Healthy demand for offices within mixed use developments in gradually resulting is the rise of a growing number of projects in Sharjah that offer a range of uses- most notably Aljada's recent launch of their commercial district and the opening of Sahara Centre's Healthcare City expansion. Early indicators for both projects show very positive responses, with leasing levels for Healthcare City exceeding expectations. Occupiers are looking to take advantage of these new offerings and establish themselves in projects that provide not only high-grade office space but also convenient access to F&B/ leisure outlets, greater parking availability and connectivity with prime residential communities.

“Enquiry levels saw a noticeable increase towards the end of 2022, which is likely to improve occupancy levels across office developments throughout 2023.”



Industrial

Sharjah's industrial sector had a positive 2022 as demand from small to medium sized industrial operators increased throughout the year. Activity across the erstwhile areas of Sharjah, from Industrial Area 2 to 18, saw the greatest levels of interest, with occupancy levels improving and in certain areas, rents increasing by up to 10%. Demand across the established industrial areas was observed from retail, e-commerce players, and other 3PL players that need to be in proximity to the established residential locations of the city. Rental values remained largely stable throughout the year. Average rents for Industrial Areas 2 – 18 currently range from AED 20 to AED 28/ sq ft / annum for warehouses.

Other locations such as Al Saja'a with its newer developments including the Al Saja'a Industrial Oasis and Emirates Industrial City, saw increased demand in Q4 2022. Compared to the conventional industrial areas, Al Saja'a offers industrial and warehousing space at relatively affordable rates and benefits from its strategic location on Emirates Road (E611), in proximity to Sharjah International Airport and Al Hamriya Free Zone. The average rents across the micro-market vary between AED 16 to AED 20 per sq ft / annum for warehouses.

> **"Sharjah's industrial sector had a positive 2022 as demand from small to medium sized industrial operators increased throughout the year."**

The demand for real estate is anticipated to remain strong in the UAE. The introduction of various pro-business and residency-related policies is likely to provide longer-term momentum to real estate demand across the country.

In terms of residential activity, demand is likely to be concentrated across Dubai. The city has seen a significant increase in transaction activity and a further widening of its investor/buyer pool which has led to new records in terms of transaction volumes and values. The annual transaction average has jumped from approximately 36,000 units each year between 2014 and 2019 to an average of 60,000 units between 2020 and 2022. Whilst global headwinds such as the slowdown in economic growth across key global economies and a subsequent increase in unemployment numbers along with persistently high lending rates are likely to dent residential demand, the UAE and Dubai in particular should remain relatively resilient owing to the large pent-up demand. There is still significant end-use demand currently adopting a wait-and-watch approach before investing. However, there is a significant residential supply that is likely to be introduced to the market over the next 24 months. This will negatively impact rental and capital value growth across a select few markets with oversupply. Demand for residential units across Abu Dhabi and Sharjah is anticipated to remain largely stable. The supply of residential units is limited across both these emirates, relative to Dubai, and is concentrated across sought-after micro-markets such as Saadiyat Island and Yas Island in Abu Dhabi and across the E611 in Sharjah.

The industrial and warehousing sector across the UAE has grown steadily over the years, as a result of the nearshoring activity and growth in e-commerce as part of the after-effects of the Covid-19 pandemic. The quality of the warehousing stock across Abu Dhabi and Dubai has improved significantly which is appealing to a wider investor pool looking at core long-term assets. The sector is anticipated to grow as new supply is introduced to the market and existing occupiers continue to consolidate and expand their portfolios, whilst new companies enter the market. The various economic and trade partnership agreements that are being signed by the UAE Government with key global economies will further benefit the industrial and warehousing space in the country.

Demand for office real estate has remained strong across Dubai and Abu Dhabi and is likely to remain steady throughout 2023. Demand has outstripped supply across both emirates with limited inventory across Grade A assets. This has pushed rental values upward across both markets with a further increase anticipated across Grade A projects in 2023. The entry and expansion of banking and financial services companies and consolidation across the tech sectors are likely to be the key themes for office demand over the year. Supply addition remains limited with negligible project handovers of good-quality assets. This will continue to push rents for prime assets whilst Grade B developments are likely to focus on refurbishments to keep up with the changing demand patterns.

OUTLOOK

We provide bespoke services for landowners, developers, occupiers and investors across the lifecycle of residential, commercial or mixed-use projects. We add value by providing our clients with research-backed advice and consultancy through our market-leading global research team. Working alongside investors, developers, operators and owners, we inject market insight and provide evidence-based advice at every stage of an asset's lifecycle. We have unrivalled reach across the Middle East with extensive market experience in UAE, Bahrain, Oman, Egypt and KSA.

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