

# Sharjah Real Estate

## Enjoying Growth Amid Changing Dynamics



The real estate sector in Sharjah is riding the growth momentum observed across the UAE. Various policy changes and new project launches over the last three years have helped the real estate market to reinvent itself as an affordable yet good quality and integrated real estate market. Its popularity has increased and now includes a diverse set of buyer nationalities beyond the traditional GCC buyers. Like Dubai and Abu Dhabi, real estate transactions in Sharjah reached new heights in 2023. Transaction volumes were up 14.6% y-o-y for the first nine months, with the total value of transactions topping AED 19 bn. As per recent data from the Sharjah Real Estate Registration Department, this number further increased by AED 2.6 bn in November. This substantial growth was driven in large part by several launches in developments such as Aljada, Mamsha, Al Zahia and Maryam Island.

Sharjah's residential real estate market is now firmly in a growth phase. With several key trends such as rising rents, to emerging prime areas, and changing ownership laws, the real estate sector is undergoing a positive transformation. Sharjah also benefits from tenant and buyer movement from the neighbouring emirate of Dubai, where prices across a select few communities have almost doubled in the last 18 to 24 months, pushing buyers and renters to more affordable locations. As a result, over the past 12 months, demand has outpaced supply in Sharjah. Occupancy levels now average over 87% with the most desirable properties having negligible availability. However, there is now a two-tier market emerging with older or lower-quality buildings remaining price-sensitive, while demand increases exponentially when properties reach a certain quality threshold.

The strong demand levels have pushed rents upwards. Average market rents across the city are up 10-15% y-o-y, with sought-after developments setting new benchmarks for the prime market. Muwailah Commercial and Al Khan continue to feature as the top two most popular rental locations, driven by good quality master-planned communities. Gated communities now achieve premiums of up to 30% over their non-gated developments.

### AVERAGE HIGH-END APARTMENT RENTS (AED)

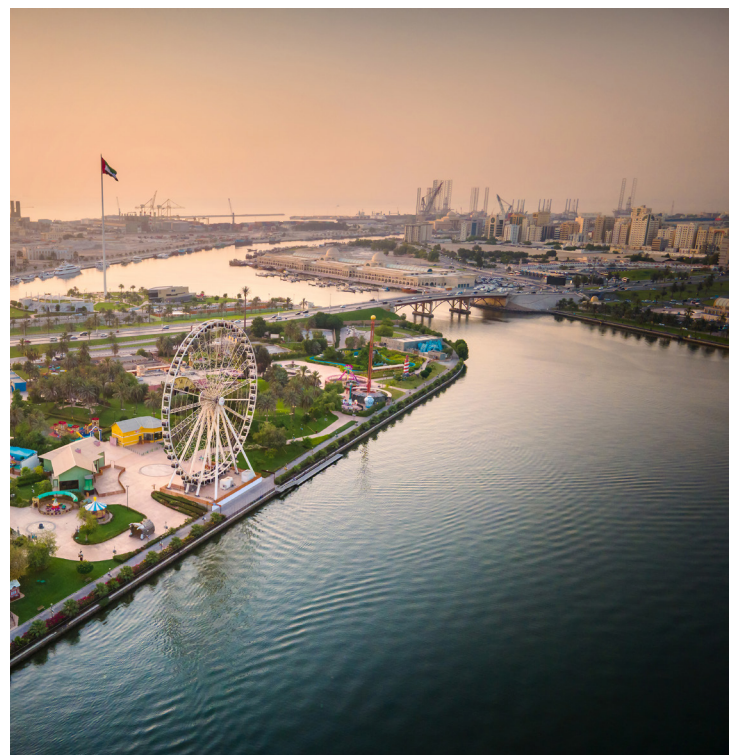
| Area / Development  | Studio          | 1 Bedroom       | 2 Bedroom       | 3 Bedroom       |
|---------------------|-----------------|-----------------|-----------------|-----------------|
| Mamsha              | 30,000 - 35,000 | 42,000 - 45,000 | 65,000 - 75,000 | NA              |
| Aljada              | 23,000 - 30,000 | 37,000 - 42,000 | 65,000 - 70,000 | NA              |
| Al Zahia            | 25,000 - 30,000 | 40,000 - 45,000 | 65,000 - 70,000 | NA              |
| Muwailah Commercial | 18,000 - 25,000 | 35,000 - 38,000 | 48,000 - 52,000 | 58,000 - 65,000 |
| Maryam Island       | 30,000 - 35,000 | 40,000 - 45,000 | 65,000 - 75,000 | 85,000 - 95,000 |
| Al Khan             | 18,000 - 22,000 | 37,000 - 40,000 | 50,000 - 60,000 | 70,000 - 78,000 |
| Al Majaz            | 18,000 - 22,000 | 37,000 - 40,000 | 65,000 - 70,000 | 85,000 - 90,000 |

*The above reflects average quoted rents across high-end properties.*

As per Savills estimates, 66% of new tenants across most prime developments in Sharjah have moved from Dubai. The majority are moving from areas like Bur Dubai, Deira, and Al Qusais, but also as far as Dubai Marina and Dubai Hills. The top five nationalities making the move include India (14%), Egypt (13%), Pakistan (10%), Sudan (8%), and Syria (6%). Better quality and larger accommodation at relatively affordable rates have been the primary drives for this trend.

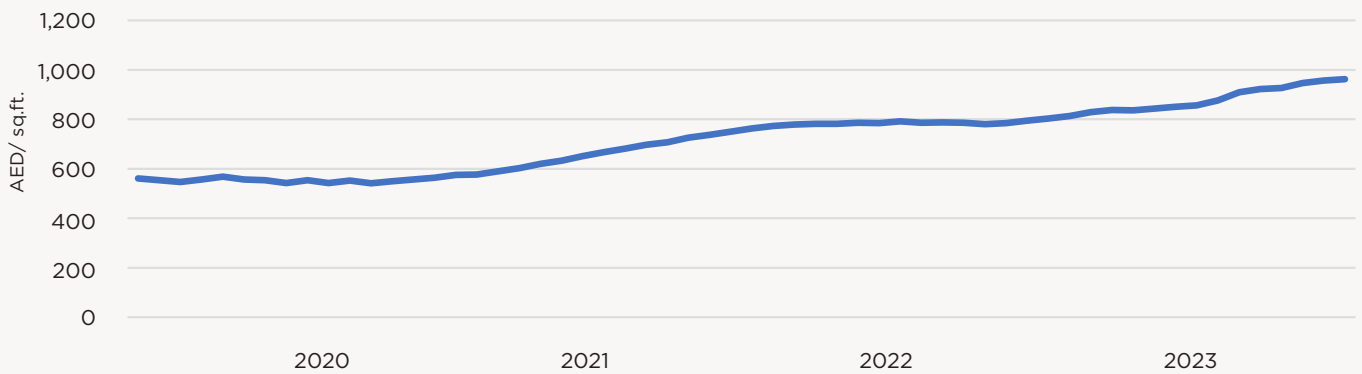
In the non-freehold areas, new development has been limited for the past two years. The aging stock in the market now requires maintenance/renovations or owners are likely to be left with underperforming assets with depreciating values. With occupancy levels generally improving, it's expected that traditional build-to-rent developers will return as projects become feasible; this is supported by the Sharjah Real Estate Registration Department data that shows a 37% y-o-y increase in land transactions in the first nine months of 2023. However, new supply is likely to enter the market only in the next 2-3 years, thereby offering an opportunity to existing landlords to renovate their assets and improve occupancy levels.

As with the rental market, Sharjah's residential sales market has consistently made progress over the past few years and is starting to show signs of maturity. Across the freehold market, the handover of new phases across existing developments such as Aljada, Mamsha, and Maryam Island is likely to support the increasing demand going forward. These projects constitute the bulk of the new supply. Investors across these projects are likely to benefit from improved occupancy and higher returns over the next 12 - 18 months.



One pivotal change that is helping to reshape the market is the recent modification in ownership laws, allowing non-Arab nationals to acquire freehold title. This change was long overdue and is already yielding positive results, with one developer reporting a staggering 70% of buyers to date in a single project were of non-Arab nationalities. The change in ownership laws was a necessary step to support the growth of the sector and enable a more vibrant secondary market. These reforms have made it easier for investors to buy, sell, and transfer properties, and will hopefully boost overall market liquidity.

### Average Residential Capital Value Trend



Source Reidin, Savills Research

Residential prices have witnessed significant growth since 2019 with CAGR of 13.1%, demonstrating that demand for property in the emirate continues to improve. While historically demand has come from investors, with a focus on smaller studio and one-bedroom apartments, we are now seeing a move towards owner-occupiers. Preferences have shifted and demand is becoming more focused on larger apartments along the coast as well as townhouse and villa communities. For villa communities, Masaar and Al Hayyan are both leading the way with strong sales results throughout 2023. A large factor behind this is the change in ownership laws that now allow expatriate residents the opportunity to buy a home in Sharjah at a price point more affordable than neighbouring Dubai with all the same benefits that master-planned gated communities offer.

The evolution seen not only supports the growth of the sector but also paves the way for a more active secondary market. With specific areas like Muwailah Commercial and Al Khan leading the way, Sharjah's real estate sector is set to benefit further, attracting investors from more diverse backgrounds and offering opportunities for sustainable growth in the years to come.



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**Swapnil Pillai**  
Associate Director  
Research  
+971 4 365 7700  
swapnil.pillai@savills.me

**Shane Breen**  
Head of Sharjah  
and Northern Emirates  
+971 6 572 3794  
shane.breen@savills.me

**Robert Ramirez**  
Leasing Manager  
Northern Emirates  
+971 6 572 3794  
robert.ramirez@savills.me

**Ammar Khalil**  
Senior Property Consultant  
Northern Emirates  
+971 6 572 3794  
ammarr.khalil@savills.me