UAE Real Estate Report

H1 2024 Review and H2 2024 Outlook

August 2024

المـــركـــز
MARKAZ

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1. Executive Summary

- UAE's economic growth is forecast to remain stable with real GDP of 3.5% in 2024 (vs. 3.4% in 2023) with strong non-oil sector growth, supported by tourism and real estate sectors. However, uncertainty persists, as geopolitical tensions in the Middle east have kept oil prices volatile. However, oil GDP could rebound in late 2024 and 2025 resulting in an overall real GDP growth of 4.2% in 2025.

- Dubai's inflation, though controlled, remains sticky, at 3.91% y/y as of April 2024, due to high oil prices and surging rental prices. The stickiness is indicated by inflation in the last six months, from November 2023 to April 2024, which has been between 3.27% to 3.91%. Housing market witnessed record demand during 2023 and early 2024, driving up housing inflation. Housing inflation has been on an uptrend, increasing for five consecutive months, from 6.05% y/y in November 2023 to 6.46% y/y in April 2024. The Central Bank of UAE (CBUAE) mirrors the US Federal Reserve (Fed), owing to the exchange rate peg, and a rate pivot in late 2024 by the Fed would result in similar rate cuts in the UAE.

- The CBUAE has maintained its policy rate decisions in line with that of US Fed, unchanged since July 2023. While a rate pivot is expected in the latter part of H2 2024, the currently higher-for-longer interest rate environment is expected to put downward pressure on demand for mortgage loans.

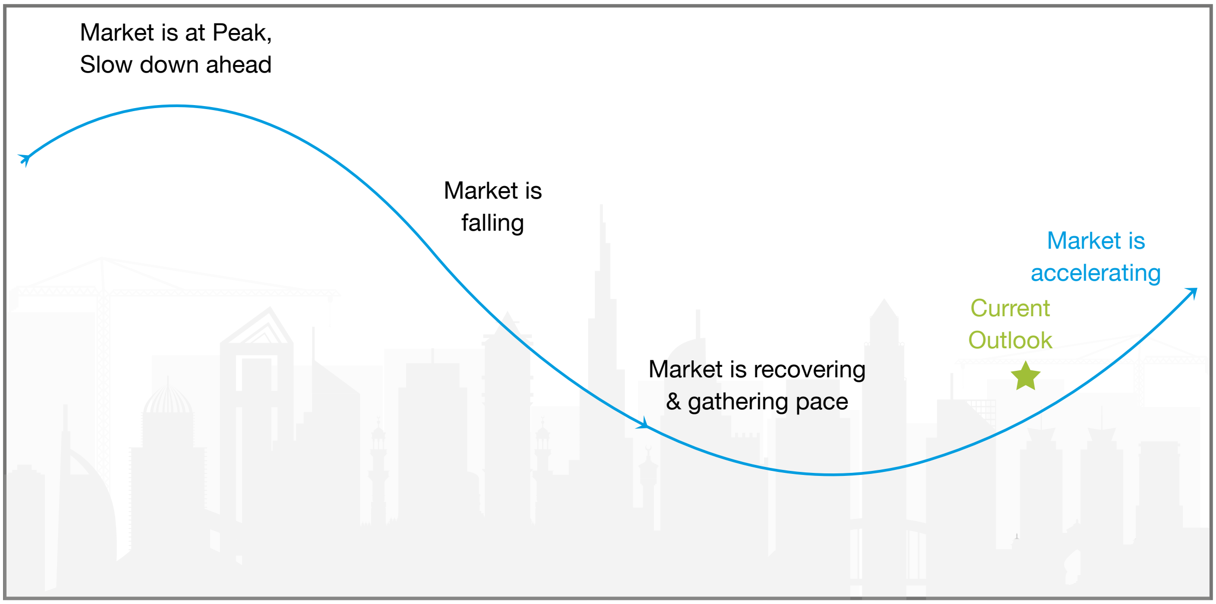
- Dubai's real estate market recorded its strongest ever performance in the year 2023, as the total value of sales transactions reached AED 412 billion, marking a 55.2% increase compared to the previous year, 2022. Q1 2024 data indicates a continuation of the uptrend with total value of sales transactions amounting to AED 109.8 billion, about 23% higher than Q1 2023 value of AED 89.1 billion. Similarly, the total value of buying-and-selling transactions in Abu Dhabi reached AED 61 billion, a 159.1% y/y increase from 2022. UAE's economy is expected to be supported by a non-oil economy backed by favorable government policies including golden visas. Geopolitical tensions pose a challenge to the positive outlook.

- Residential real estate sector in the UAE sustained the strong momentum witnessed across 2023 into early 2024, with residential prices in Dubai and Abu Dhabi rising by 18.3% y/y and 8.6% y/y in January 2024.

- Dubai remains one of the most affordable living destinations in the world, especially in the luxury segments, with its price-to-income ratio lower than Hong Kong, Singapore and United Kingdom despite the increase in prices in the last two years. Further, with attractive rental yields of 6.3% (Global property guide, as of January 2024), it ranks higher than other major cities worldwide including Beijing, Singapore and New York.

- In Q1 2024, average rents for Prime, Grade A, Grade B and Grade C offices in Dubai increased by 7.6%, 17.9%, 21.6% and 16.8% y/y respectively. In Abu Dhabi, average Prime, Grade A and Grade B segment rents increased by 6.6%, 3.4% and 9.7% y/y respectively over the same period. Flight-to-quality is expected to lead to sustained demand momentum, pressurising realtors to innovate and find solutions for the supply shortages.
- Growth in the residential, office and hospitality real estate segments are expected to continue through 2024, on the back of high demand for off-plan properties and strong influx of tourists. However, supply-demand mismatch poses a significant challenge.
- The UAE cancelled the AED 1 million (USD 272,294) minimum down payment required for people to qualify for a golden visa through real estate investment. The policy change is expected to benefit residents and investors and help boost the property market.
- Overall, based on our assessment of various macroeconomic factors, we believe that the real estate sector in UAE is expected to continue to accelerate in H2 2024, led by Dubai, with a mild moderation in a few segments and in Abu Dhabi.

UAE Real Estate Market Outlook



Source: Marmore Research

UAE Macroeconomic Views

Economic Factors	Our take	Our View
Oil (Real) GDP Growth	Moderate	UAE's oil production capacity expansion coupled with expected withdrawal of OPEC+ oil production cuts in 2025, favor oil GDP growth.
Non-Oil (Real) GDP Growth	Neutral	The non-oil sector is anticipated to witness sustained growth in H2 2024, led by robust demand for real estate, construction, and tourism sectors in the economy. However, geopolitical uncertainty poses a challenge, offsetting the positive outlook.
Fiscal Position	Moderate	Fiscal surplus is expected to face downward pressure in 2024 and 2025, with corporate tax driven non-oil revenue offsetting volatile oil revenues. However, the fiscal position as a percentage of GDP is expected to be higher than the 2013-2023 average of 2%, with a value of 4.5% expected in 2024 and 4% in 2025.
Investments	Moderate	The government's favorable policies, no personal income tax and flexible visa policies are expected to sustain the momentum in the foreign direct investments in the UAE in 2024 and 2025.
Money Supply, M2	Neutral	Moderating price levels, in H2 2024, are expected to positively impact money supply and consumption. Broad money growth is expected to be 9.7% y/y in 2024 but is expected to decline to 7.9% in 2025.
Inflation	Moderate	Inflation in UAE is expected to moderate at a gradual pace through H2 2024 and remain much lower than the global inflation levels. Volatile energy prices, that can stimulate the economy, and rising rentals pose a threat to the downtrend.

Interest Rate	Neutral	Due to the currency peg, we expect CBUAE to follow the policy moves of the U.S Fed and hold the interest rates at the current level in the short term and pivot in late 2024.
Yearly Population Growth	Moderate	Population growth is expected to be stable in the near term. Visa policies favoring the flow of expats and rise in new business registrations are expected to support the stability in population growth over a longer time horizon.
Job creation	Moderate	The sustained rise in project awards and steadfast growth in the non-oil sector of the economy despite macroeconomic headwinds support job creation in the near-term.

Source: Marmore research

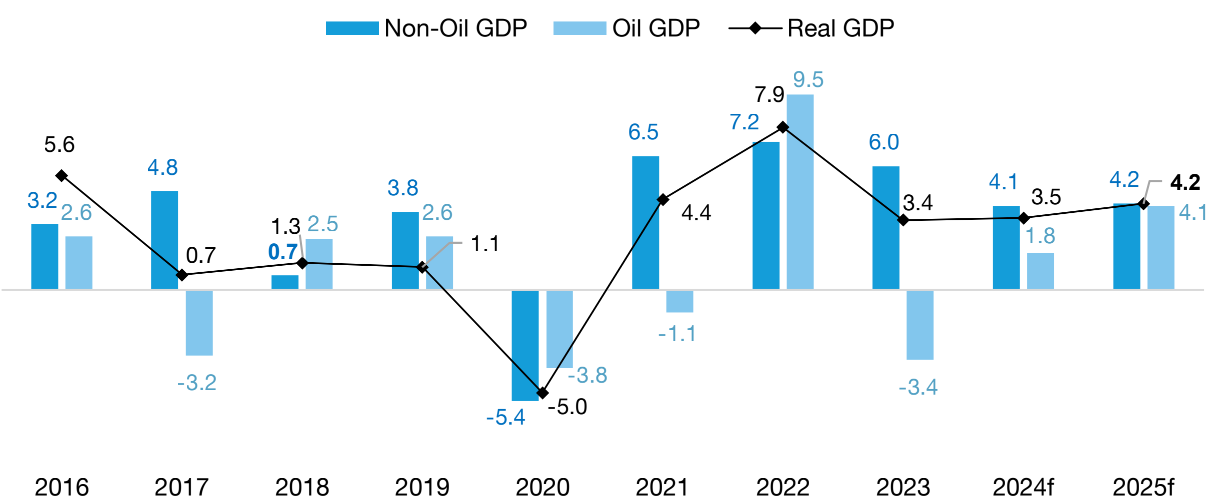
2. UAE: Macroeconomic Update

a. UAE's stable outlook clouded by uncertainty

UAE's economy is expected to register a real GDP growth of 3.5% in 2024, with growth in the non-oil economy (4.1%) offsetting the below par oil economic performance (1.8%). Tourism, trade, real estate, construction, and financial services are expected to drive growth in the non-oil economy in 2024. The rising number of tourist arrivals, supportive government initiatives, acceleration in public and private investments and increasing technological advancements are expected to spur the country's economic expansion. The number of international visitors in Dubai reached 5.18 million in Q1 2024, with an increase of 11% compared to the same period in 2023. Further, Dubai's hotels also reported robust performance, with an average occupancy rate of 83% in Q1 2024. Moreover, the recent introduction of a federal corporate tax is poised to further strengthen government finances, contributing to the diversification of revenue sources away from the oil sector.

According to IMF, global economic growth projected at 3.2% in 2023, is expected to remain resilient and continue at the same pace in 2024 and 2025. Disinflation associated with synchronized monetary policy hikes is expected to offset the negative effects of uncertainty arising from rising geopolitical tensions and still-high borrowing costs. With monetary easing anticipated from late 2024, a soft landing is currently anticipated. UAE's growth rate of 3.5% in 2024 and 4.2% in 2025 exceeds the IMF projected growth in global GDP of 3.2% in 2024 and 2025.

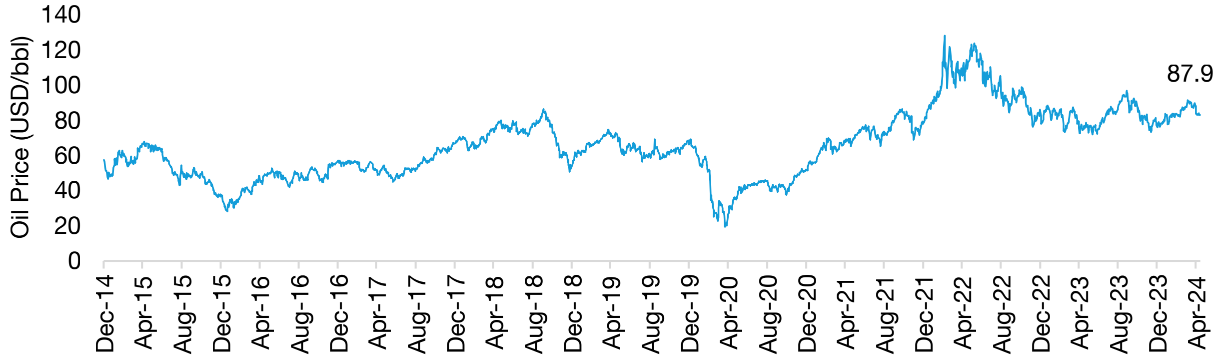
Oil and Non-Oil Real GDP growth (y/y %)



Source: IMF, Regional Economic Outlook (REO) – April 2024

The UAE's non-oil foreign trade surpassed AED 3.5 trillion (USD 0.95 trillion) in 2023, for the first time in the country's history. The non-oil commodity exports grew to AED 441 billion in 2023, a y/y increase of 16.7%. UAE's foreign trade with the top ten trading partners jumped by 26% in 2023. The increases were primarily driven by trade with Turkey (103%), Hong Kong-China (47%), and USA (20%). Non-oil exports accounted for 17.1% of the total foreign trade in 2023, up by 50 bps on a year-on-year basis. UAE imports rose to AED 1.4 trillion (USD 380 billion) in 2023, a 14.2% increase compared to 2022.

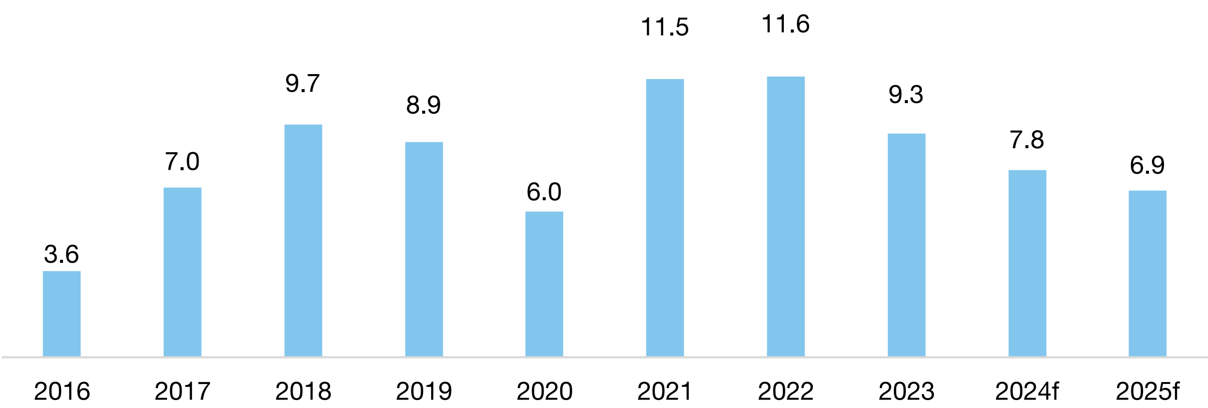
Daily Brent Oil Prices (Jan 2015 – April 2024)



Source: Refinitiv

Brent crude oil prices fell by 6.3% in 2023, despite OPEC+ production cuts and geopolitical pressures coupled with slower than expected economic recovery of China. From Jan-Apr 2024, the spot price of Brent crude oil registered a growth of 14.0%, averaging USD 83.6/b (per barrel), driven by falling global oil inventories and geopolitical tensions in the Middle east. Further, global oil demand is expected to increase from an average of 102.21 million barrels per day (mb/d) in 2023 to an average of 104.46 mb/d in 2024 (an average of 105.57 mb/d in Q4 2024), aided by rising air travel demand, road mobility and agricultural activity in non-OECD countries. However, the spot prices have fallen since peaking in April, settling at USD 82.9/b as of May 13. Despite the geopolitical tensions, crude oil price volatility has been subdued for much of this year due to the significant spare crude oil production capacity. The EIA (US Energy Information Agency) estimates OPEC spare production capacity to be around 4 mb/d in 2024 and 2025. The voluntary OPEC+ crude oil production cuts and the ongoing geopolitical risks are forecast to keep the Brent crude oil spot price near USD 90 per barrel for the remainder of 2024. However, the price is expected to fall to an average of USD 85/b in 2025 as global oil production growth picks up with OPEC expected to withdraw the voluntary cuts. As a result of the increased production, UAE's oil GDP is forecast to register growth of 1.8% and 2.4% in 2024 and 2025, respectively, according to the IMF.

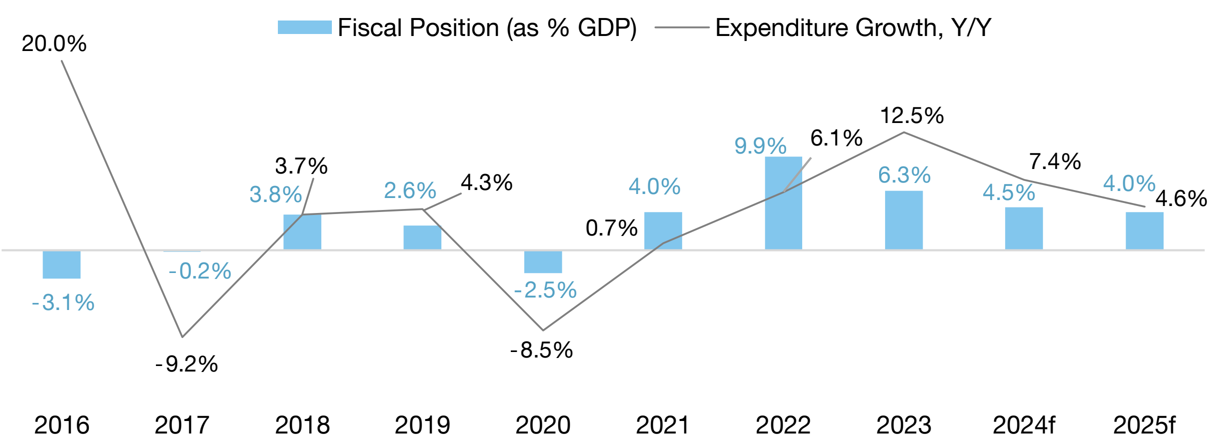
Current account surplus (as % of GDP)



Source: IMF, Regional Economic Outlook (REO) – April 2024

With UAE still highly dependent on oil revenues, the economy is expected to record a narrowing in its current account surplus from 8.2% of GDP in 2023 to 6.9% of GDP in 2025 driven by ongoing oil production cuts in 2024 and volatile oil prices.

General Government Fiscal Position (% GDP) & Expenditure growth (y/y %)



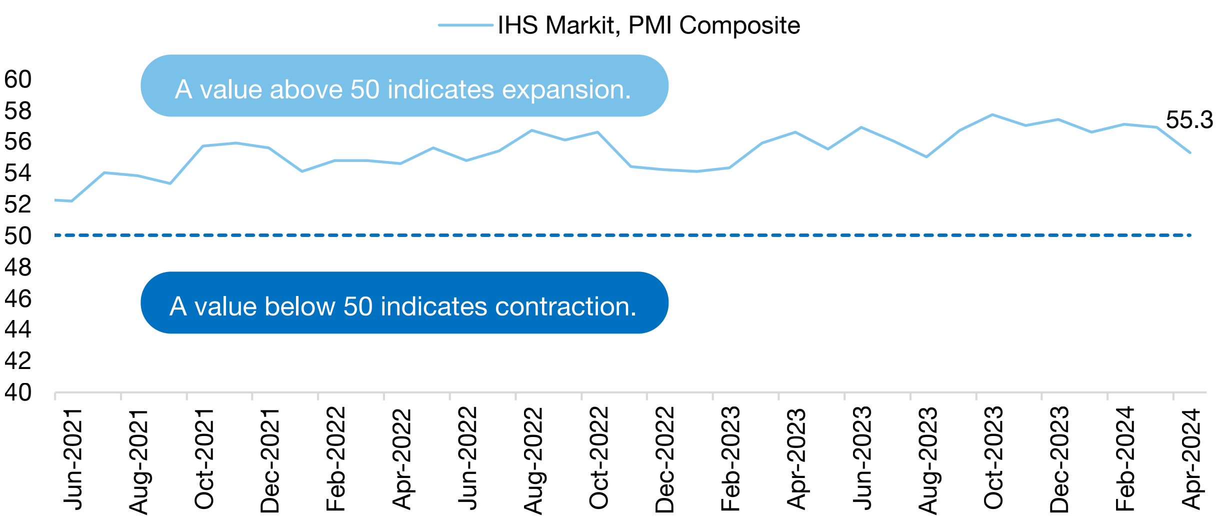
Source: IMF, Regional Economic Outlook (REO) – April 2024

UAE's fiscal surplus is forecast to narrow in 2024 and 2025 to 4.5% and 4.0% of GDP, respectively, as against a fiscal surplus of 6.3% of GDP in 2023. Decrease in oil prices coupled with mild slowdown in non-oil sector due to global headwinds and regional conflicts will challenge fiscal revenues. The fiscal breakeven oil price is expected to average USD 62/bbl in 2023-25. Narrower deficits in Sharjah and higher production levels in Abu Dhabi, will mitigate the negative impact of a drop in oil prices. Along with the fiscal surplus, total expenditure growth is estimated to narrow from 12.5% in 2023 to 7.4% in 2024 and 4.6% in 2025, driven by a fiscal policy to maintain a balanced budget. However, the recent introduction of a federal corporate tax is poised to strengthen government finances and contribute to the diversification of revenue sources away from the oil sector.

Leading indicators portray an optimistic picture

Business activity momentum, which recorded its best ever performance in late 2023, slowed down in March and April 2024 as unprecedented rainfall disrupted business operations and impacted demand. However, business activity was still robust due to favorable domestic economic conditions, the realization of long-term business expansion plans as well as competitive pricing strategies. Non-energy businesses expect favorable growth prospects in 2024, citing strong sales pipelines and a swift recovery from the impact of heavy rainfall.[1]

IHS Markit PMI Composite Index

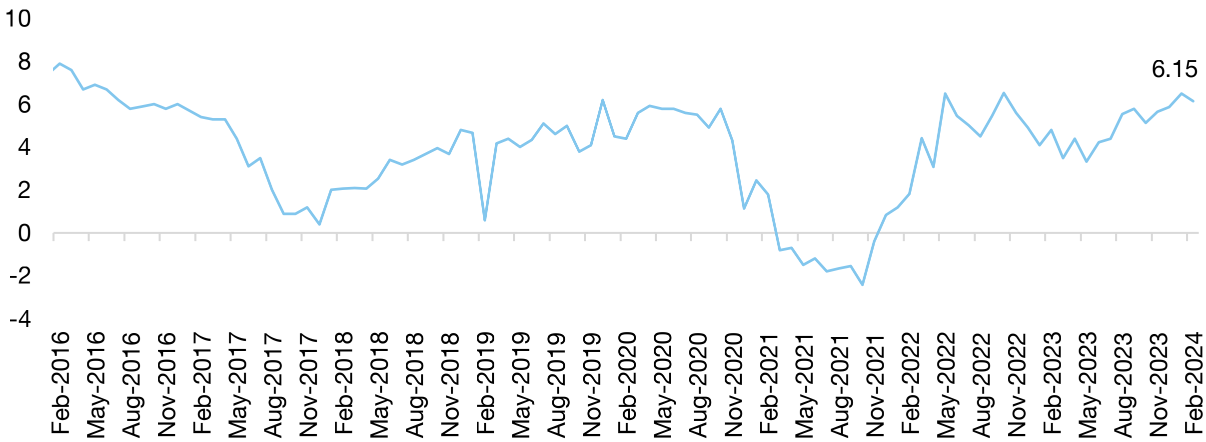


Source: Refinitiv

UAE's non-oil business activity continued its strong momentum from 2023 into 2024, as indicated by the IHS Markit UAE Purchasing Managers' Index that remained above the threshold level of 50. In April 2024, PMI stood at 55.3. Even though it is less than the 57.4 recorded in December 2023, it is still indicative of robust growth in the non-oil activity and favorable operating conditions, which helped drive new customers and higher sales.

[1] S&P

Banking, Loans & Advances (YoY change, %)



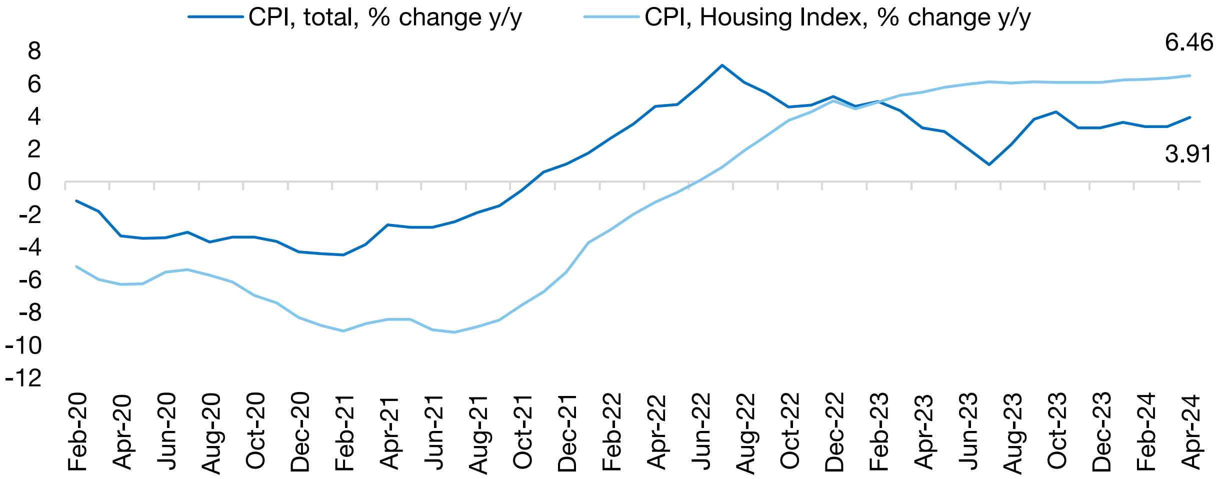
Source: Refinitiv

Credit growth averaged 6.3% y/y in the first two months of 2024, faster than 2023 average of 4.7%. Credit growth witnessed a surge in early 2024 driven by stable interest rates and burgeoning real estate sector. Despite the faster growth in early 2024, higher-for-longer interest rates are expected to slow down the growth. The outlook is not favorable in the short term, given the still high levels of borrowing rates, and uncertainty in the non-oil sectors due to regional tensions. However, rate cuts in the latter part of H2 2024 is likely to support credit growth, heading into 2025.

b. Inflation in UAE to moderate at a slow pace

Inflation in Dubai remains sticky after witnessing a downtrend in 2023 in response to interest rate hikes by the Central Bank of Dubai. The persistently high inflation is caused by high oil prices, stimulating the broader economy, and increasing rent prices in light of strong demand for housing from non-UAE residents coupled with a restricted supply of housing units. Housing prices have been consistently increasing for five consecutive months from 6.05% y/y in November 2023 to reach 6.46% y/y in April 2024. Meanwhile, further surge in overall CPI has been restricted by downward pressure from imported food inflation which has reduced to the range of 3% in early 2024. The U.S Fed's stance to keep interest rates higher for longer period in 2024 is expected to result in a gradual downtrend in inflation as CBUAE mirrors the policy moves of the U.S Fed.

Dubai Consumer Price Index, Inflation (YoY change, %)



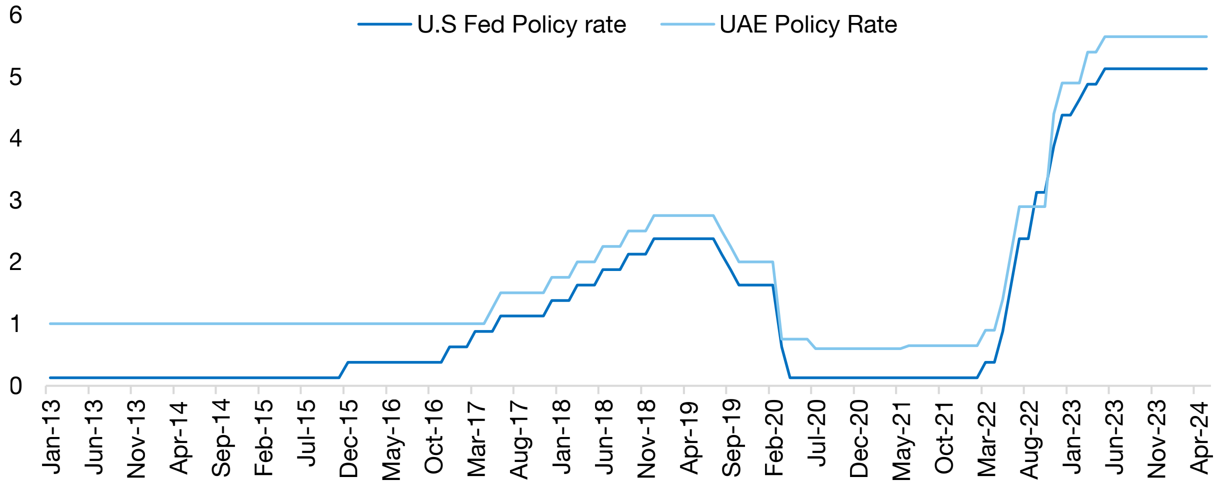
Source: Dubai Statistics Centre

The housing, utilities and fuel component that accounts for approximately more than 40% of the Dubai CPI has been in positive territory since Q3 2022 and has been on an increasing trend in the past four months (up to March 2024). Dubai's property prices reached all-time highs in 2023, on the back of government initiatives such as residency permits for retirees and remote workers and the expansion of the scope of 5-year multiple visa program, which allows holders to enter and leave the UAE multiple times, to more people and regions. The momentum is set to continue in 2024, as Dubai is currently seen as one of the most affordable luxury destinations globally compared to cities like Hong Kong and Singapore.

c. Higher interest rates could impact mortgage demand

With the UAE currency pegged to the U.S dollar, the CBUAE moves the interest rates in tandem with the U.S Fed. The Fed kept the policy rate stable in the target range of 5.25-5.5% since June 2023, following a string of 11 rate hikes across 2022 and 2023. Accordingly, following the 100-bps interest rate hike during January-July 2023, the Central bank of UAE has kept its interest rate stable at 5.4% as of May 2024. The existing rate is expected to be the terminal interest rate of the current cycle. The U.S Fed has indicated to keep interest rates higher for a longer period in 2024 as it waits for conclusive evidence that inflation is on a sustainable path towards the 2% target level. Given the sticky inflation and stable economic growth, the central bank is expected to maintain the policy rate in its current range until Q3 2024 and cut interest rates by 50 bps in Q4 2024. CBUAE is not likely to cut interest rates by more than 50 bps in 2024 despite regional inflation being much lower than the global inflation. However, the higher-for-longer interest rate environment in 2024 might weigh down on the demand for mortgage loans

UAE Policy Rate (Overnight deposit facility Rate, %)



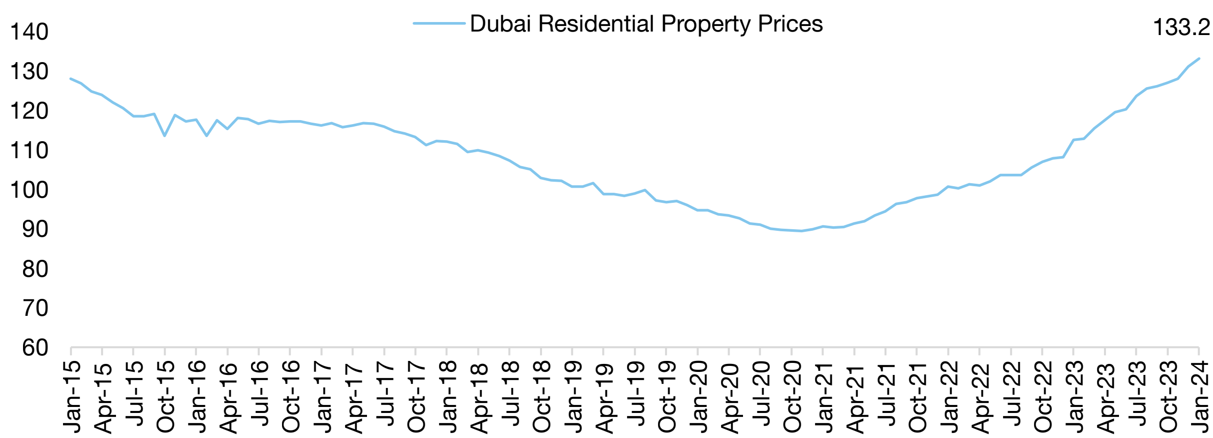
Source: Refinitiv

3. UAE Property Performance

a. Property prices momentum set to continue

Since the lows of 2020, induced by the COVID-19 pandemic, property prices in UAE have witnessed continuous rises despite global macroeconomic headwinds. Since June 2020, the average residential prices in Dubai and Abu Dhabi have risen by 45.7% and 15.7%, respectively, till January 2024.

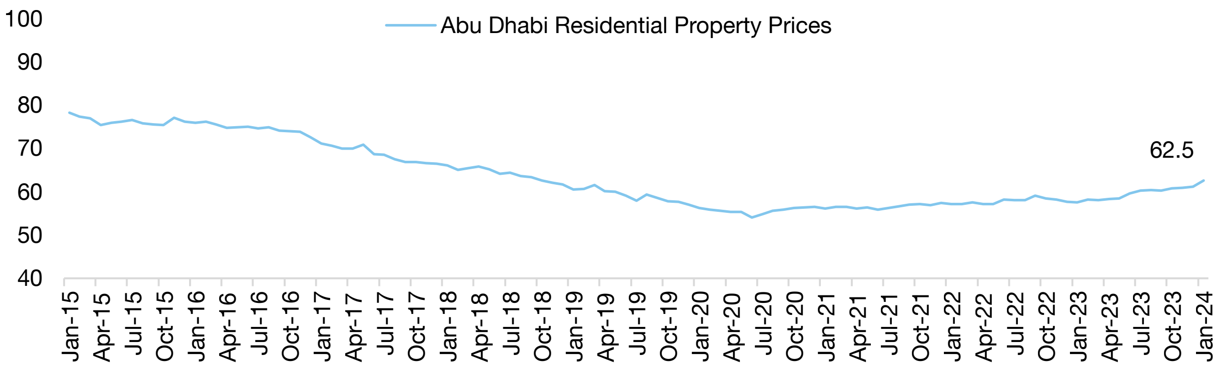
Dubai Real Estate Price Index (2009 Index value = 100)



Source: BIS

The Dubai Residential price index continued its impressive bull run from Q4 2023 and reached a reading of 133.2 in January 2024. Average residential prices in Dubai increased by 18.3% from January 2023 to January 2024, driven by growth in both apartment and villa prices, with continuous increase in the volume of transactions.

Abu Dhabi Real Estate Price Index (2009 Index value = 100)



Source: BIS

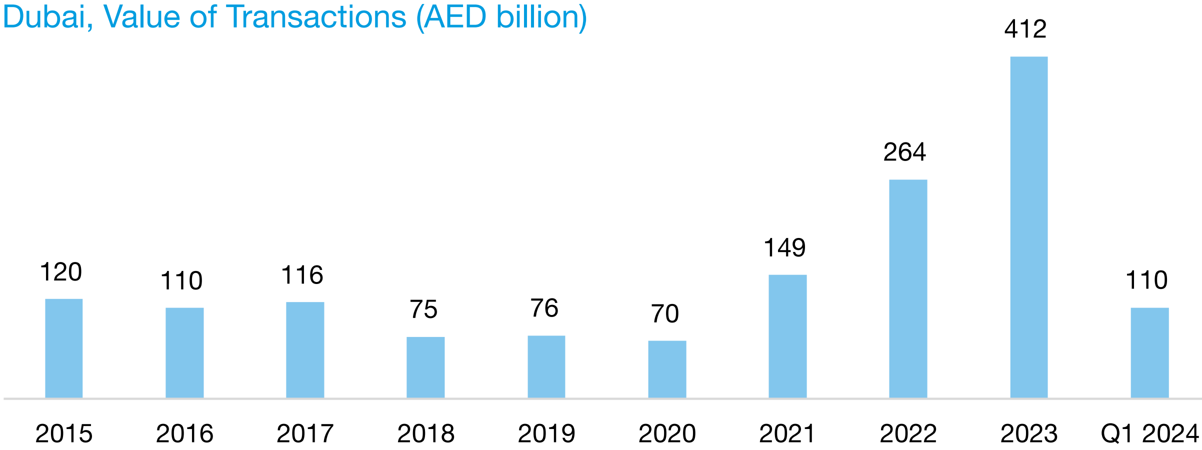
As compared to Dubai, the growth in Abu Dhabi residential price index has been moderate. Average residential prices in Abu Dhabi increased by 8.6% y/y in January 2024.

The prices are close to the highs of the property boom in 2014. However, UAE's price to income ratio is relatively lower than that of other major global markets, indicating the affordability of the residential market in the country.

b. Real Estate transactions break records

In 2023, the Dubai real estate market marked strong performance with transactions valued at AED 412 billion, registering a y/y increase of 55% from 2022 value of AED 265.5 billion. The number of transactions in 2023 increased to 1.6 million, representing a remarkable growth of 16.9% compared to 2022, which accounted for approximately 1.368 million transactions.

Dubai, Value of Transactions (AED billion)

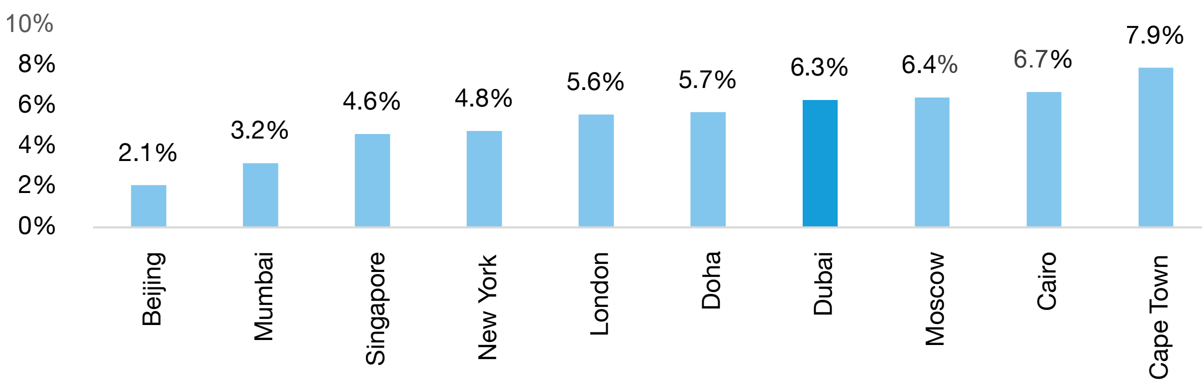


Source: Dubai Land Department

c. Attractive Rental Yields & Affordability

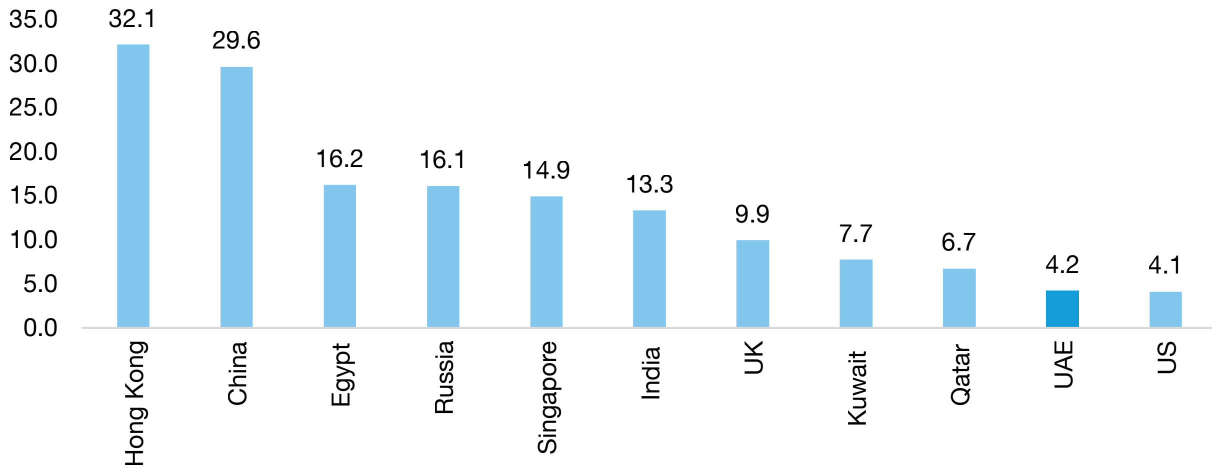
Dubai continued to record high rental yields for investors, when compared to global real estate hubs. The rental yields in Dubai have grown to 6.3% as of January 2024. This ranks higher than matured real estate markets such as Hong Kong (3.4%) and Singapore (4.6%). Along with an increase in property prices, rental yields can contribute significantly to an investor's ROI. Further, real estate investments act as hedge against inflation, which is especially significant in the current inflationary environment. Dubai's rents have continued to grow in 2023 along with the prices. The surge in rents could be attributed to high occupancy rates and the rise in the inflow of UHNWIs from various countries, supported by government initiatives such as golden visas. According to research by ValuStrat, residential occupancy in Dubai was estimated at 87.7% during Q1 2024.

Residential rental yields (%)



Source: Global property guide, latest values as of May 2024

Residential Market Price-to-Income Ratio (Years)



Source: Numbeo; Ratio of median apartment prices to median familial disposable income has been expressed as years of income

UAE's price to income ratio is relatively lower than that of other major global markets, indicating the affordability of the residential market in the country, especially in the luxury segments. A development in the rental market is the requirement for landlords to attach a judgment or a legal order to apply for the rent evaluation service from April 1, 2024. This means landlords can no longer increase rental prices above the benchmark provided on the Real Estate Regulatory Authority (RERA) calculator, allowing for greater transparency and reliable insights to tenants.

d. UAE Office Real Estate – Positive outlook

Average occupancy rate in Dubai's office segment rose to 91.3% in Q1 2024, up from 90.1% in Q1 2023.[2] Meanwhile in Abu Dhabi, the average occupancy rate of institutional-grade buildings reached 94.0% in Q1 2024, up from the 92.5% level registered in Q1 2023, driven by demand from entities with direct and indirect government links.

New Construction and Rentals

- In Q1 2024, Dubai recorded 46,850 rental registrations, marking a rise of 35.8% compared to the same period last year. New rental registrations amounted to 34,461, while renewed contracts totalled to 12,389. In Abu Dhabi, in Q1 2024, a total of 10,475 rental contracts were registered, growing by 9.1% y/y, primarily supported by a 21.2% increase in new rental registrations, whilst registrations of renewed contracts declined by 5.1% y/y.[3]

[2] CBRE Research

[3] CBRE Research

- In Q1 2024, rents for Prime offices in both Dubai and Abu Dhabi registered average growth rates of 7.6% and 6.6% respectively, underpinning the growth in rental rates.[4]

- In Q1 2024, average rents for Grade A, Grade B and Grade C offices in Dubai went up by 17.9%, 21.6% and 16.8% respectively. In Abu Dhabi, average rents of Grade A and Grade B segment rose by 3.4% and 9.7% respectively over the same period.

Outlook

- The performance of the Dubai and Abu Dhabi markets are expected to remain strong in the short and medium term, particularly within the high quality assets, namely, Prime and Grade A segments.

- While demand is from a broad range of sectors in Dubai, notably the financial services sector (hedge funds and asset management firms), Abu Dhabi's demand continues to be from government-owned entities. However, in Abu Dhabi, the period saw a marked demand from private businesses looking to set up business in off-shore locations.

- In both the markets, limited availability of quality assets pose a significant challenge for occupier demand. Developers are fast-tracking existing and future developments to cater to this demand. This is driven by the recent trend among buyers towards flight-to-quality.

e. UAE Residential Apartment Real Estate – Stable outlook

Rental rates picked up pace in 2024, following a period of moderation in 2023. A total of 13,047 residential sales transactions were recorded in the month of March 2024, an increase of 13.2% y/y and also a record for the market. The surge was driven by increases in both off-plan transactions (20.2%) and secondary market transactions (2.2%). Overall, in the quarter ending March 2024, total volume of transactions reached 35,310, the highest ever recorded in the first quarter of a year. Abu Dhabi's residential market recorded 2,795 transactions in Q1 2024, (+22.6% y/y), underpinned by an 18.1% rise in off-plan sales and a 34.5% rise in secondary market sales.

[4] CBRE Research

New Construction and Rentals

- In Dubai, average residential prices and villa prices increased y/y by 20.7% and 22.1%, respectively, in Q1 2024. As at March 2024, the average annual apartment and villa prices per square foot stood at AED 1,486 and AED 1,776 respectively. Similarly, as at March 2024, average apartment and villa rents per annum stood at AED 123,429 and AED 344,658, respectively.

- In Dubai, annual gains in value of apartments, as of Q1 2024, were the highest in Discovery Gardens (32.6%), The Greens (29.8%), Palm Jumeirah (29%), The Views (24.8%), Town Square (24.5%), Al Quoz Fourth (24.1%), and Dubai Production City (23.9%). For villas, annual capital gains, as of Q1 2024, in Jumeirah Islands grew 32.2%, Palm Jumeirah grew 31.9%, Dubai Hills Estate grew 30.6%, and Mudon grew 27.2%.[5]

- In Dubai, gross rental yields for apartments rose to 7.7% in Q1 2024. Rental yields in areas such as Remraam and Discovery Gardens were 10.2% and 9.9%, respectively. Other areas such as Jumeirah Village Circle had a gross rental yield of 8.6%, while Barsha Heights, Jebel Ali and the International City had rental yield of 8.5%. Villa rental yield in Dubai stood at an average of 5.6%, in Q1 2024. Areas such as Damac Hills 2, Jumeirah Village Circle and District One had high gross rental yields of 8%, 7.5% and 7.4%, respectively.[6]

- In Abu Dhabi, annual gains in value of apartments, as of Q1 2024, were the highest in Al Muneera Island (4.5%), Saadiyat Island (4%), and Al Bandar (3.6%). For villas, annual capital gains, as of Q1 2024, in Saadiyat Island grew 15.2%, Al Raha grew 5.6%, and Mohammed Bin Zayed City grew 3.7%.[7]

- In Abu Dhabi, apartment gross rental yields rose to 6.7% in Q1 2024. Al Ghadeer and Al Reef Downtown had the highest gross rental yield of 8.5%, each. Other areas like Marina Square, Al Muneera and Al Reem Island had above average gross rental yields of 7.5%, 7.2% and 7%, respectively. While areas like Al Raha beach and Sadiyaat Island had below average gross rental yields of 6.1% and 3.6% respectively. Villa gross rental yields grew 1.43% in Q1 2024 to touch 5.3%. Al Ghadeer had the highest rental yield of 8.1% followed by Al Reef and Al Raha Beach with rental yields of 6.5%, each. While Sadiyaat Island had an above average gross rental yield of 6.3%, villas in Khalifa City had a gross rental yield of 3.4%.[8]

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[5] ValuStrat
[6] REIDIN
[7] ValuStrat
[8] REIDIN

- In terms of supply, a total of 6,526 and 80 units were delivered in Dubai and Abu Dhabi respectively in Q1 2024. A further 46,086 and 8,660 units expected to be delivered over the course of 2024, in Dubai and Abu Dhabi respectively. However, given historic materialisation rates, only a limited portion is expected to be realised as planned.

Outlook

- In the Dubai residential market, the positive sales growth is likely to continue, albeit at a slower pace compared to 2023, driven by high levels of demand for off-plan properties and the limited levels of upcoming supply.

- Dubai's rental growth rates is underpinned by the increased prevalance of tenants to renew their existing residential leases as a result of their inability to pay higher rates for new leases, especially in prime and core residential areas.

- Signs of moderation is visible in the Abu Dhabi residential rental market with declines in the renewed rental contracts (-15.5%) and new rental registrations (-2.4%) in the first quarter of 2024. Despite a strength in the residential market as a whole, the moderation is likely to continue in the rental market, over the course of the year.

f. UAE Retail Real Estate – Positive net demand to continue from renewals

This segment of UAE's real estate proved to be an exception to the overall trend of positive growth. This is seen in the slowdown in the activity levels in Abu Dhabi where 7,779 rental contracts were registered, dipping by 8.1% y/y. Further, the rental contracts in Dubai registered a marginal increase of 0.2% y/y to 23,139 in Q1 2024. The primary demand driver in Dubai continues to originate from the food and beverage sector. However, the limited availability of assets in prime locations is restricting robust growth in the market.

New Supply & Rentals

- In Q1 2024, renewed rental registrations dropped by 3.4% and 8.8% in the Dubai and Abu Dhabi markets, respectively. On the other hand, new contracts increased by 1.6% in Dubai but dropped by 6.6%, in Abu Dhabi, during the period.

- Due to the demand-supply imbalances, rents in both Dubai and Abu Dhabi conintued to register increases. In Q1 2024, average retail rents in Dubai rose by 10.5% to reach AED 493 per square foot. In the same period, average retail rents in Abu Dhabi grew by 14.7% to reach AED 2,150 per square metre.

Outlook

- With tourism remaining one of the major growth drivers for Dubai, malls continue to be a significant contributor to this segment. This is largely due to preference among tourists to visit these retail and leisure destinations.

- According to JLL research, during Q1 2024, approximately 12,000 sq. m. of retail gross leasable area (GLA) was completed in Dubai, keeping the total existing stock largely unchanged at 4.8 million sq. m, with a further expected addition of 104,000 sq. m, in 2024.

- Due to the supply and space constraints, there is an increasing trend of local brands and home-grown concepts moving towards smaller community malls. This proactive adaptation of mall owners could help the market to keep up the momentum and indicates the evolving nature of this segment.

- A similar trend could also be witnessed in the Abu Dhabi market, with retail developers prioritising innovation to avoid redundancy and enhance the overall retail experience. In Abu Dhabi, there are plans to deliver around 17,000 sq. m of retail GLA in 2024, boosting confidence for investors.

- The UAE retail segment is expected to remain landlord-favoured where limited flexibility is provided to tenats, adding to the concerns around demand-supply mismatches.

g. UAE Hospitality Real Estate – Sustained growth in H1 2024

The Key Performance indicators of the UAE hospitality sector are tourist demand in the form of arrivals and average number of daily flights, in addition to the general indicators including occupancy rates and new openings. There was a notable increase in the number of visitors in Dubai between January to February 2024, which stood at 3.67 million, representing an increase of 18% over the same period in 2023. The average number of daily flights stood at 118,689 as of March 2024, surpassing the 2019 pre-pandemic levels by 11.5% and a y/y increase of 11.0%. In Q1 2024, the number of hotel guests in Abu Dhabi reached 1.3 million, registering an increase of 16.1% over the pre-pandemic levels and 22.0% on a y/y basis.

Supply & Occupancy

- Occupancy rates remained robust, with a 90 bps y/y growth in the UAE in Q1 2024. This was driven by Abu Dhabi, which grew by 630 bps y/y in Q1 2024, while Dubai declined by 70 bps y/y in Q1 2024. It is to be noted that, in terms of citywide occupancy, majority locations have topped the pre-pandemic levels in 2019.

- In March 2024, the global passenger load factor (PLF) reached 82.0%, up by 1.0% y/y, and the available seat kilometers (ASKs) registered a year-on-year increase of 12.3%, reflecting the strong visitations to the country.

- Dubai's market, dominated by luxury 5-star properties, witnessed the addition of 2,000 keys, to a total of 155,000 keys. On the other hand, Abu Dhabi's hotel supply remained relatively stable at 32,500 keys as of during Q1 2024.

Outlook

- An additional 5,000 keys are expected to be added in Dubai and 500 keys in Abu Dhabi, in 2024. UAE Hospitality sector is expected to remain robust, driven by global tourist attractions, diverse calendar of global events and improved connectivity.

4. Major Reforms/Events in H1 2024

24th Jan

Easing of Golden visa requirements

- The UAE cancelled the AED 1 million (USD 272,294) minimum down payment required for people to qualify for a golden visa through real estate investment, as it seeks to encourage more residents and investors to establish deeper roots in the country. Previously, to qualify for the 10-year renewable residency programme, which was introduced in 2019, investors were required to acquire property valued at AED 2 million or above. But for properties bought on mortgage or instalment plans, homebuyers had to make a minimum down payment of AED 1 million, or 50 per cent of the property's value, to the bank or developer to be eligible for the golden visa. The recent change eliminates the need for a minimum down payment altogether. Now, investors can qualify for the golden visa if the property's value is AED 2 million or more, regardless of whether it's off-plan, completed, mortgaged or not mortgaged. This policy change would benefit many buyers and end users and help boost the property market.

05th Apr

Landlords now need legal order to seek rent re-evaluation

- Landlords in Dubai can still go for re-evaluation of rent with the Real Estate Regulatory Authority (RERA) and seek higher rental instead of going by the recently updated Rental Index. However, the process to seek re-evaluation has been changed. According to experts, landlords are now required to attach a judgment or the legal order to apply for the rent evaluation service from April 1, 2024. This effectively reverses the trend in the last couple of years where a landlord has been able to pay a fee to the Land Department for rental valuations. RERA updated its Rental Index in March 2024, allowing landlords to increase rents to bring in line with the increase in rentals. The RERA calculator is the single source for calculating rental increases. In the past few years, landlords had the option to apply for a rental evaluation to adjust the current market benchmark set by the outdated calculator. The updated calculator means landlords can no longer increase rental prices above the benchmark provided on the RERA calculator, allowing for greater transparency and reliable insights to tenants.

14th Apr

Sharjah real estate department links documents with UAE Pass

- The Real Estate Registration Department in Sharjah has announced the provision of the service of ownership and usufruct deeds of various types in the digital wallet of the UAE Digital Identity (UAE Pass) app, making it the first government department in the emirate to provide this service. This comes within the framework of its commitment to providing the best services to customers, and in an implementation of the UAE government’s vision for digital transformation and enhancing customer experience, The Department’s customers can now download ownership and private benefit deeds (ownership deed, joint ownership deed, usufruct deed, or joint usufruct deed) through the digital ID smart application on mobile phones.

5. UAE Real Estate – Recent Major News

Dubai records $1.7bln in luxury home sales in Q1 2024

105 homes priced in excess of US$ 10 million were sold in Dubai during the first three months of the 2024, up 19% on Q1 2023, according to Knight Frank. The level of deal activity in Dubai continues to strengthen, particularly at the top end of the market, where the near constant stream of international high-net-worth-individuals vying for the city's most expensive homes persists. The laser-like focus of the global wealthy on Dubai is best reflected in the rapid deterioration in the volume of USD 10 million+ homes for sale, which has fallen by 59% across the city over the last 12-months to just 864 homes. The total value of luxury homes sold during Q1 2024 stands at USD 1.73 billion, which is up 6% on Q1 2023 and builds on Dubai's emergence as the world's busiest USD 10 million+ homes market.

In 2023, Dubai recorded 431 home sales above USD 10 million, nearly 80% higher than the next nearest contender – London (240). New York (211) rounded off the top three most active luxury homes markets in the world in 2023. After growing by 16.3% in 2023, following an extraordinary 44.4% increase during 2022, Dubai's prime residential market has grown by 26.3% over the last 12-months, easily making it one of, if not the fastest growing prime residential market globally. While these startling growth rates are phenomenal, it doesn't take away from the face that Dubai's luxury homes market still remains one of the most affordable in the world. Indeed, USD 1 million secures some 980 square feet of prime residential space in Dubai, compared to just 366 square feet in New York, 355 square feet in London, or 172 square feet in Monaco.

Rentals in Dubai have grown at a double-digit rate in the past three years

Speculators and holiday homeowners who used their Dubai properties just a couple of times in a year are increasingly opting to rent it out for the full year to benefit from the spike in rental returns. With the increase in rentals, long-term speculators or holiday homeowners who come twice a year to Dubai to their holiday home are forced to rethink because the same property which had a rentability of AED 150,000 earlier, today it is AED 450,000. So they are encouraged to rent their units also. The occupancy of 45 days – 15 days during Christmas and 30 days in summer – has improved to 365 days because a resident is living now, according to Samana Developers. Rentals in Dubai have grown at a double-digit rate in the past three years and this trend is expected to continue in some of parts of the emirate. However, most of the areas could see a softening of the rental growth in 2024 and 2025.

Demand for Dubai as a city for tourism and to live is substantially growing, hence, driving property prices and rentals higher. Because of higher rentals, the motivation to keep part-time apartment for purpose has changed to full-time renting apartment. Even long-term speculators who wanted to keep the apartment vacant, now they have a big pressure to make the most of this property by renting it out. The emirate's property market is benefitting from the geopolitical tensions around the world due to its safety and security aspects. Post-Expo 2020, the commercial boom is helping Dubai, and more people are successful in business post-Expo than pre-Expo. The 'feel good' factor among the business community is at the strongest level.

Dubai real estate could be on the verge of the biggest boom in 10 years

The Dubai real estate sector shows no signs of slowing down as sales volumes in the first three months of the 2024 saw an impressive 19.3 per cent increase from Q1 of 2023, according to Allsopp & Allsopp. Allsopp & Allsopp said a preference for more affordable properties goes hand-in-hand with the increase in finance buyers vs cash buyers. Dubai has become even more financially credible to invest in, solidifying its reputation of being a safe haven for investors and international institutions. Off-plan preference continues to reign with the higher distribution of sales.

6. Markaz Real Estate Outlook Index

'Markaz Real Estate Macro Index' helps investors in identifying the current state of real estate market using a list of economic indicators such as oil and non-oil GDP growth, inflation, new jobs generated etc.

The past seven years data along with estimates for 2023 and forecasts for 2024 were considered and a qualitative rating (strong, moderate, neutral, subdued & poor) was assigned considering the historical information and the current environment.

For each of the qualitative score, a quantitative score was assigned with 'Strong' being assigned a top score of '5' and 'Poor' assigned a value of '1'. A weighted average score was computed based on the weights as provided in the below table.

Macro-Economic factors that matter

Economic Factors	Weightage Assigned	Rationale
GDP Growth (Oil & Non-Oil)	25%	Strong economic activity bodes well for real estate. Higher economic growth usually leads to demand for commercial real estate and growing incomes would spur activity on the residential segment.
Fiscal Position	10%	Expansionary fiscal policy signifies the active role of government to support the economy through increased investments. A positive for real estate and government spending entails improvement to physical & social infrastructure and unlocks the value of nearby lands.
Investments	10%	Investment serves as a proxy for project activity and infrastructure development that shall directly stand to influence the real estate markets through job creation and increased economic activity.
Money (M2) Supply Growth	10%	Higher growth in money supply is a leading indicator of economic activity.
Inflation	15%	Real estate acts as a natural hedge against inflation, as rents typically increase during times of inflation. Strong, stable inflation is generally positive for real estate.
Interest Rate	10%	Increase in interest rates translates into higher borrowing costs and could lower demand for real estate. It also impacts consumers' inclination to spend.
Population Growth	10%	Increasing population is directly related to real estate growth and residential demand
Jobs created	10%	Number of jobs created serves as a useful indicator for real estate demand.

Source: Marmore research

The state of real estate market was categorized into four distinct phases based on the score as below:

Market Phases

Macroeconomic Scores	Score Interpretation
4.4 to 5.0	Market is at peak, slowdown ahead
3.5 to 4.3	Market is accelerating
2.8 to 3.4	Market is recovering & gathering pace
Less than 2.8	Market is falling

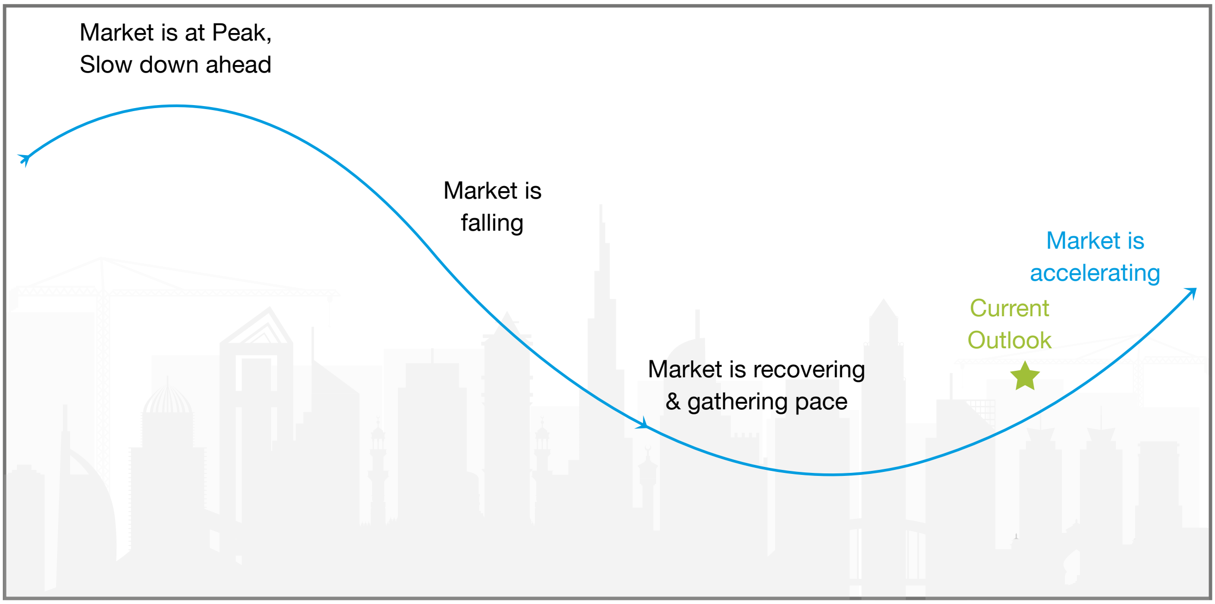
Source: Marmore research

UAE Macro-Economic Factor Assessment

Economic Factors	2019	2020	2021	2022e	2023f	2024f	Qualitative Take	Quantitative Score
Oil (Real) GDP Growth	-3.8%	-1.1%	9.5%	-3.4%	1.8%	4.1%	Moderate	4
Non-Oil (Real) GDP Growth	-5.4%	6.5%	7.2%	6.0%	4.1%	4.2%	Neutral	3
Fiscal Position, % of GDP	-2.5%	4.0%	9.9%	6.3%	4.5%	4.0%	Moderate	4
Investments (as % of GDP)	23.3	25.8	23.8	26.1	26.9	27.5	Moderate	4
Money Supply, M2 (YoY)	4.6%	5.7%	9.0%	18.8%	9.7%	7.9%	Neutral	3
Inflation	-2.1%	-0.1%	4.8%	1.6%	2.1%	2.0%	Moderate	4
Interest Rate	0.9%	0.4%	1.9%	5.3%	4.7%	3.2%	Neutral	3
Yearly Population Growth	-2.3%	3.0%	0.8%	0.8%	0.8%	0.8%	Moderate	4
Job creation ('000)	12	-29	117	89	54	55	Moderate	4
							Overall Score	**3.70**

Source: Refinitiv, IMF, Marmore

Markaz Real Estate Outlook based on Macro Economic Indicators



Source: Marmore Research

While the broader outlook that the real estate market is accelerating remains consistent with our earlier view, mild slowdown in economic growth on the back of uncertainty in non-hydrocarbon sector and volatile oil prices have resulted in slightly lower quantitative score compared to our previous outlook edition. Whereas, interest rates have a higher quantitative score compared to the previous outlook, driven by the expectations of rate cuts in H2 2024 and attainment of terminal rate.

UAE Markaz Real Estate Macro Index Scores (2023-2024)

Macro indicators	H1 2023	H2 2023	H1 2024
Oil Real GDP Growth	4	4	4
Non-Oil Real GDP Growth	4	4	3
Fiscal Position	4	4	4
Investments	4	4	4
Money Supply, M2 (YoY)	4	4	3
Inflation	4	4	4

Interest Rate	3	3	3
Population growth	3	3	4
Jobs created	4	4	4
Overall Score	**3.80**	**3.80**	**3.70**

Source: Marmore research

Conclusion

The record growth witnessed in the UAE real estate market in 2023 is expected to continue in 2024, albeit with a slight moderation supported by steady economic growth and strong demand. The volume and value of real estate transactions continued to surge in Q1 2024 in Dubai while in Abu Dhabi, there were already signs of moderation. The residential sector recorded strong growth driven by demand due to the flight-to-quality trend. The growth in the office sector is fueled by real estate growth in UAE during the quarter and increasing non-oil activity. Rents have surged during the period, with demand being broad-based. The retail sector experienced stable growth owing to higher demand from international players and a supply-demand mismatch, especially for high quality assets. With the increasing attraction of Dubai as an international travel destination, the hospitality sector has performed well, supported by the increase in tourist footfalls in the UAE, as indicated by growth in occupancy rates and average number of flights.

The country's real GDP is expected to moderate 2024 as geopolitical tensions weigh on demand. Further, oil GDP is likely to be affected by volatile oil prices. The real estate sector witnessed positive momentum in H1 2024. Due to the macroeconomic headwinds, UAE's fiscal and current account position are expected to face downward pressure in H2 2024. The rise in non-oil revenue owing to the implementation of the corporate tax is anticipated to support government spending to boost the non-oil sector. The CBUAE is expected to maintain interest rates at the current levels in Q3 2024 and implement rate cuts later during the year, likely in Q4, in line with the U.S Fed. The higher-for-longer interest rates could impact the consumer demand. Residential real estate is expected to witness an uptick in H2 2024 driven by surge in demand for luxury property and lack of quality assets. Since June 2020, the average residential prices in Dubai and Abu Dhabi have risen by 45.7% and 15.7%, respectively, till January 2024.

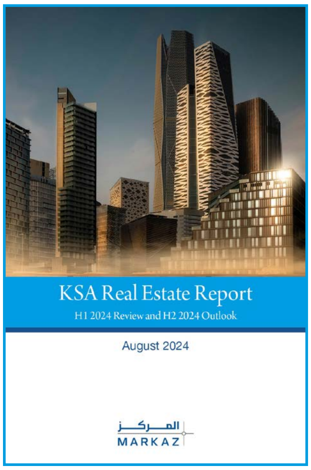
Uncertainty has caused a slight moderation to the scores compared to previous outlook editions. Based on our assessment of various macroeconomic factors – non-oil sector GDP growth, fiscal surplus and investments, we believe that the real estate sector in UAE is expected to accelerate at a stable pace in the second half of 2024.

Summary – UAE Markaz Real Estate Macro Index

Macro indicators	Future Outlook (2024 & beyond)	Quantitative Score
Oil Real GDP Growth	Moderate	4
Non-Oil Real GDP Growth	Neutral	3
Fiscal Position	Moderate	4
Investments	Moderate	4
Money Supply, M2 (YoY)	Neutral	3
Inflation	Moderate	4
Interest Rate	Neutral	3
Population growth	Moderate	4
Jobs created	Moderate	4
Overall Score	**Market is accelerating**	**3.70**

Source: Marmore Research

What reports to expect soon?

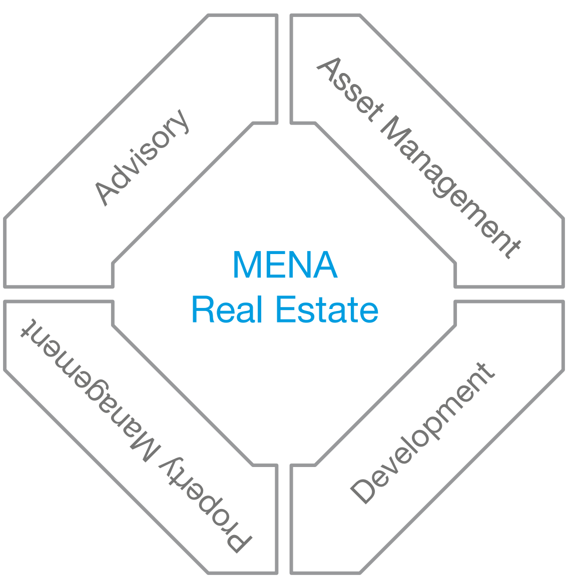


KSA Real Estate Report H2 2023 Review and H1 2024 Outlook

Kuwait Real Estate Report H1 2024 Review and H2 2024 Outlook

Markaz Real Estate Capabilities: Management Team

With a team of 27 professionals, Markaz MENA Real Estate provides a fully integrated insights and services to managing real estate funds



Team of 27

- Investment
- Project Management
- Financial Management
- Administration

Kuwait HQ

- Riyadh KSA - 2006
- Khobar KSA - 2006
- Abu Dhabi - 2010
- Dubai - 2014

Markaz provides great value through:

- Governance
- Experience
- On the ground presence
- Hands-On approach
- Developed Systems covering
  - Operations,
  - Maintenance,
  - Financial management, &
  - Administration
- Software Support

Invest in Markaz Real Estate Fund

The Internal Rate of Return: 7.52%

Average annual distribution since inception: 5.06%

Fund Performance	
Total Return (Jan 03 - Dec 03)	17.80%
Total Return (Jan 03 - Dec 05)	40.20%
Total Return (Jan 06 - Dec 08)	32.10%
Total Return (Jan 09 - Dec 11)	4.60%
Total Return (Jan 12 - Dec 14)	21.10%
Total Return (Jan 15 - Dec 17)	2.10%
Total Return (Jan 18 - Dec 20)	2.70%
Total Return (Jan 03 - March 24)	171.21%
Capital Gain since Inception	29.35%
Income Distribution since Inception	142.8%
Total Return Annualized	6.44%
Average Annual Yield (Cash)	4.57%
Volatility (3 year)	2.36%

The Markaz Real Estate fund, established in 2002, is considered the first open-ended real-estate investment fund in Kuwait, and stands as a testament to Markaz's innovation in the financial services field. This is reflected through the ongoing development of unique investment tools that cater to investors' needs. Markaz Real Estate Fund is Sharia compliant and aims to achieve stable and recurring returns, through investing in income generation properties in Kuwait.

Important info:

- Fund manager: Kuwait Financial Centre K.P.S.C. Kuwait City, Al Mirqab, Al Soor Street, Burj Alshaya, Floor 8, Tel: +965 2224 8000, P.O. Box 23444, Safat 13095, State of Kuwait
- Fund Executive Committee Members: Ghazi Al Osaimi, Milad Elia, Khaled Al-Mubaraki
- To get a copy of the Fund's Articles of Association, the subscription form, and the financial statement of the fund, please visit our website: www.markaz.com
- The Total Return consists of the Capital Gain and the Dividend Yield after deducting all fees and expenses

Disclaimer: This announcement has been prepared for promotional purposes and has been approved by Markaz. Investments in funds are subject to market risks. There can be no assurance or guarantee that the investment will produce any returns. Prospective Investors must therefore be aware of and understand that such investment carries a significant degree of risk of loss of their capital; and the dividend rate cannot be predicted or guaranteed. Past performance is not a reliable indicator of future performance. Before investing, prospective investors must carefully examine the Articles of Association and all Fund's related documents to be aware of the investment methods, including the merits and risks involved.

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