



The **UAE** Real Estate Market

Research | **Q2** 2021

Office

Dubai



Abu Dhabi



No new stock of office space was delivered into the market in both Dubai and Abu Dhabi across Q2 2021. An additional 70,000 sqm and 18,000 sqm are expected to be delivered over the second half of the year in Dubai and Abu Dhabi, respectively.

Tenants continue to prefer Grade A, fully fitted office spaces over shell and core, due to associated costs. Landlords continue to offer incentives such as extensive rent-free periods and CAPEX contributions to maintain and attract new tenants.

As a result, rental rates in Dubai and Abu Dhabi decreased by 1% and 2% (Y-o-Y) to reach AED 1,688 per sq m and AED 1,575 per sq m, respectively. Vacancy has increased to 20% in Dubai and 28% in Abu Dhabi when compared to same period last year.

As vaccination drive continues, more employees are returning to the workplace, however corporates are adopting a hybrid model approach. This comes as a result of more corporates re-engaging their workspaces with a focus towards sustainability and employee wellness. With further ease of restrictions, more international enquires have been noted in Dubai. Corporates looking to setup in Dubai, have shown interest because of ease of business and management of the pandemic.

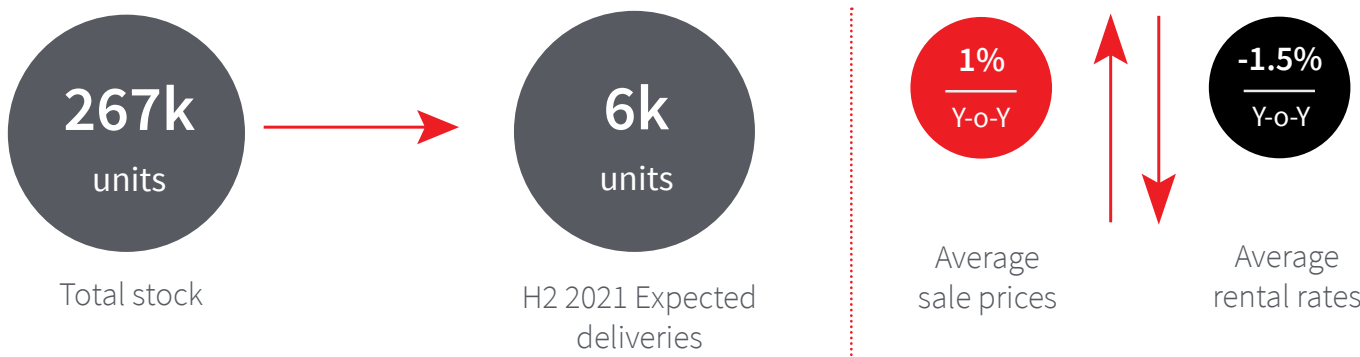
For the second half of the year, we can expect the office market to remain subdued as consolidation efforts continue. Furthermore, the market is expected to remain in favor of tenants, with occupiers benefiting from subdued market conditions and seeking opportunities to upgrade office space with limited capital expenditure.

Residential

Dubai



Abu Dhabi



Dubai's residential market stock increased to 618,000 units with the addition of 10,000 units over the quarter. For the remainder of 2021, an additional 36,000 units are expected to be added. In Abu Dhabi, 815 residential units were delivered during the quarter, bringing the total stock to roughly 267,000 units. By end of 2021, approximately 6,360 units are scheduled to enter the market.

In terms of performance, Dubai's citywide sale and rental rates continued to register declines of 2% and 8% respectively over the year. In Abu Dhabi sale prices have marginally improved by 1% with successful launches of villa projects, whilst rentals remain under pressure, declining by -1.5% compared to the same period last year.

As noted at the start of the year, the residential market continues to see increased demand for good quality villa stock, leading to 10% increase in prices for Dubai and 6% for Abu Dhabi when compared to the same period last year.

Looking ahead, we expect outdated existing developments to continue to face pressure particularly apartment developments, as new developments with larger unit layouts, attractive payment plans, and community amenities have a stronger appeal to tenants and investors alike.

Source: REIDIN

Retail

Dubai



Abu Dhabi



Despite improving footfall to malls, the retail market continues to remain subdued on the back of change in the consumer spending habits and weakened demand from international tourism.

In Dubai, the completion of three new retail developments added approximately 150,000 sq m, bringing the stock to 4.3 million sq m of retail GLA. Whereas no new completions were noted in Abu Dhabi, keeping the stock stable at 2.8 million sq m.

An additional 154,000 sq m of retail space is expected to come online in Dubai during the remainder of 2021. Similarly, Abu Dhabi has 29,000 sq m retail scheduled for delivery in the second half of the year.

Average rental rates in primary and secondary malls have declined 5% in Dubai and around 12% in Abu Dhabi in Q2 2021 versus Q2 2020. As a result, the market remains in favor of tenants, with landlords continuing to provide incentives such as rent-free periods and are more open to negotiating deals. It has been noted that several new retailers coming into the market are mainly centered on home-grown concepts which are currently growing in the market.

In some cases, retailers are turning away from the traditional brick and mortar and are resorting to pop-up retail store concepts, partnering with online shopping and delivery platforms to increase revenue deals.

Hospitality

Dubai



Source: STR Global

Abu Dhabi



Source: STR Global

In the second quarter, Dubai saw approximately 2,000 keys being added to market, bringing the total stock to 137,000 keys. In Abu Dhabi, no new completions were noted, keeping the stock stable at 30,600 keys. As the country gears up for the upcoming Expo, an additional 12,000 keys are expected to be added over the second half of the year in Dubai and 1,400 keys in Abu Dhabi.

Dubai's hotel occupancy levels were recorded at 58% for YTD May 2021, compared to 46% for YTD May 2020. Understandably, occupancy levels have improved over the year, since the UAE was under lockdown measures during the same period last year. Average daily rates (ADR's) have marginally improved by 1% to reach USD 147 for YTD May 2021.

Similarly for Abu Dhabi, occupancy levels have improved from 60% in YTD May 2020 to 61% YTD May 2021. However, ADRs still face pressure, declining by -7% to reach USD 89 for YTD May 2021.

Overall, the UAE hotel market continues to exhibit signs of recovery. Operators continue to offer staycation deals to capitalize on domestic tourism demand as international tourism remained limited. We can expect this trend to continue for the short to medium term, until further ease of travel restrictions are successful in opening key source markets, particularly ahead of Expo 2020.

Definitions and methodology

Future Supply

JLL estimates of future supply is updated on a quarterly basis and is based on primary research (physical inspections) and secondary research (discussions with developers). The future supply is reflective of projects actively under construction. It excludes projects that have been announced, where ground works have not started. We remain cautious of the ability of some projects to meet their stated completion deadlines, with significant delays in project delivery leading to a low materialization rate.



Office Supply

The current supply of completed office GLA is based on a comprehensive list of office buildings that have been handed over for immediate occupation. This includes standalone office buildings and office space within mixed-use buildings. Our project list excludes government owned and wholly occupied buildings.

Performance

The weighted average rent (WAR) is based on estimates from the JLL Offices and Business Space team. It reflects the WAR across a basket of Grade A buildings in the CBD.

Grade A buildings are defined as high quality office spaces, well located, with good access to infrastructure (metro) and amenities including F&B and retail.

The WAR of Grade A buildings represents the top open-market, net rent (exclusive of service charge and incentives) for a new lease that could be expected for a notional office unit.



Residential Supply

The current supply of completed residential buildings is based on quarterly surveys of the entire Abu Dhabi and Dubai metropolitan areas. It is reflecting residential units that have been handed over for immediate occupation. Our project list excludes labor accommodation and local Emirati housing. Our definition of residential units includes apartments, villas, and townhouses.

Performance

Data on residential performance in Dubai is based on the **REIDIN monthly index**. The REIDIN Residential Property Price Indices (RPPIs) uses a monthly sample of offered/asked listing price & rental data and transaction data.

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



Retail Supply

The classification of retail centers is based on the **Urban Land Institute (ULI)** definition and based on their **Gross Leasable Area (GLA)**:

- Super Regional Malls** have a GLA of above 90,000 sq m
- Regional Malls** have a GLA of 30,000 - 90,000 sq m
- Community Malls** have a GLA of 10,000 - 30,000 sq m
- Neighborhood Malls** have a GLA of 3,000 - 10,000 sq m
- Convenience Malls** have a GLA of less than 3,000 sq m

The current supply of completed retail GLA is based on a comprehensive list of mall-based retail that have been handed over for immediate occupation. Our project list excludes street retail and retail within mixed-use buildings.

Performance

Average rents are based on estimates from the JLL Retail team. It reflects the rents across a basket of primary and secondary retail centers.

Primary and secondary retail centers are identified based on their turnover levels. **Primary Malls** are the best performing malls with highest levels of turnover. **Secondary Malls** are the average performing malls with lower levels of turnover.

Average rents represent the top open market net rent expected for a standard in line unit shop of 100 sq m in a basket of regional and super regional centers. Given the variation in rentals, we quote percentage change for retail rents rather than actual figures.



Hotels Supply

The current supply of hotel rooms is based on data from our quarterly surveys, reflecting hotel rooms that have been handed over for immediate occupation. Our project list includes all graded supply and includes serviced apartments.

Performance

STR performance data is based on a monthly survey conducted by **STR Global** on a sample of international standard midscale and upscale hotels. **Average Daily Rates (ADR)** and **Revenue Per Available Room (Rev Par)** are the key performance metrics.



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