

Dubai Residential Market Review

Winter 2022/23



MAINSTREAM PRICE RISES SLOWING

Residential values across Dubai rose by 2.6% during Q3, marking the 7th consecutive quarter of price rises, however average prices remain 22% below the 2014 peak.

Villas continue to outperform, with average values growing by 1.9% in the third quarter to AED 1,350 psf, leaving them 14.3% higher than this time last year. This now leaves villa prices 7.2% below the 2014 peak. Apartments prices also increased during Q3 by 2.7% to approximately AED 1,130 psf. Despite rising by 8% over the last 12-months, apartments still trail the 2014 peak by 24.2%.

Our analysis shows the ongoing outperformance of villas is more pronounced when benchmarking against the start of the COVID-19 pandemic. Since January 2020, villa values have risen by an average of 33.8% across Dubai, whereas apartments have experienced relatively more modest growth of 5.7% over the same period.

VILLAS STILL IN VOGUE

The strongest performing submarkets remain the city's most expensive neighbourhoods. Villas on the Palm Jumeirah continue to experience the sharpest price rises, with average transacted prices breaching the AED 3,500 psf mark, rising by 6.9% during Q3, leaving them 48.2% higher than this time last year. This also means that average villa prices on the Palm Jumeirah have risen by 79.8% since the start of the pandemic in January 2020 and now stand 26% above their 2017 peak levels.

As has been the case since the start of the pandemic, villa submarkets across Dubai have experienced strong price growth.

Mohammed Bin Rashid City has been the next best performing neighbourhood, with values increasing by 26.1% in the last 12 months to AED 1,160 psf.

The strength of villa price growth is being underpin by domestic buyers' desire for more space, combined with the all-important international buyer cohort. In particular, overseas-based ultra-high-net-worth-individual's (UHNWI).

Like villas, apartments in the city's premier districts have experienced the strongest uplifts in value during Q3, with MBR City (10.3%) and the Palm Jumeirah (8.2%) emerging as the first and second strongest performers, respectively. At about AED 1,600 psf, apartments at Dubai Hills Estate (19%) have seen the highest price growth in the last 12 months.

PRIME HOMES IN HIGH DEMAND

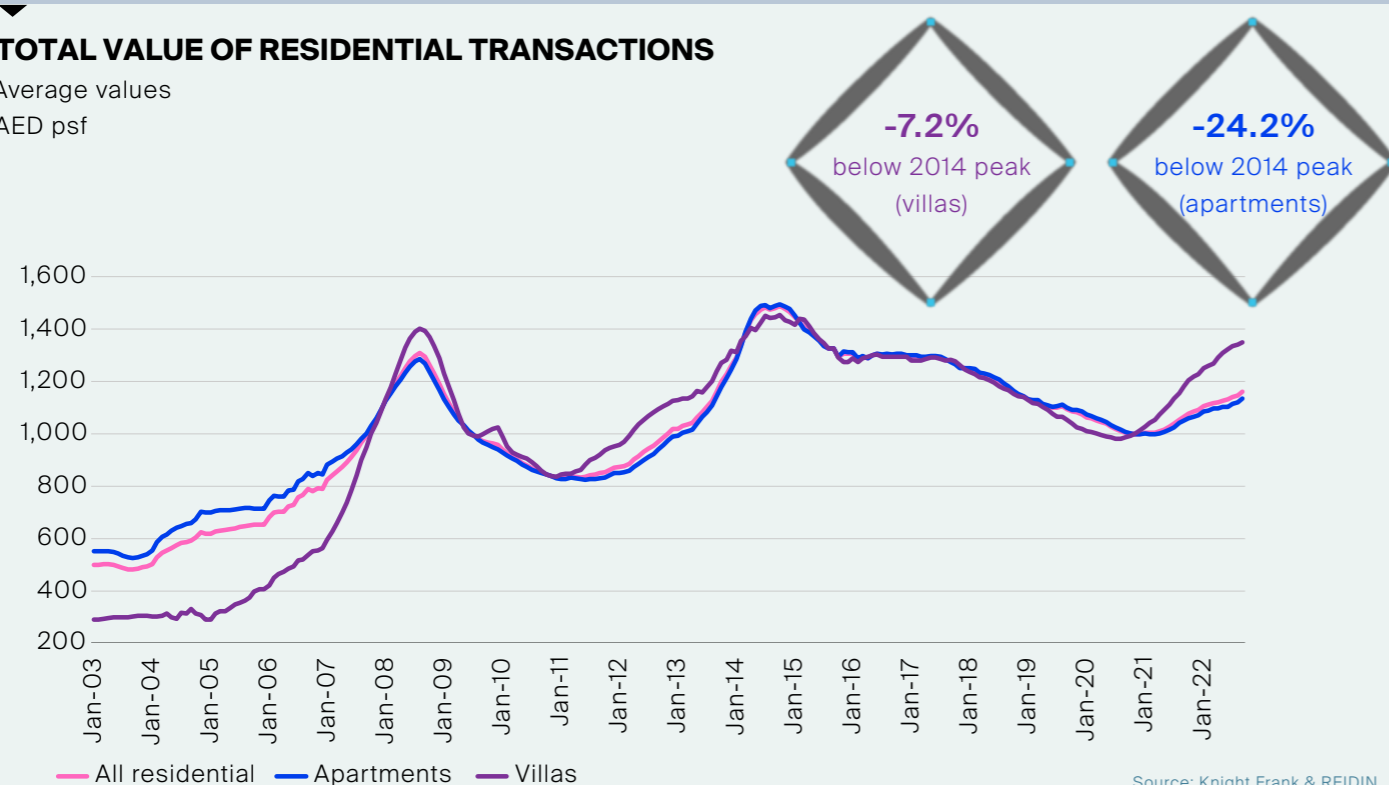
Zooming in to Dubai's prime markets, which encompass the neighbourhoods of the Palm Jumeirah, Emirates Hills, and Jumeirah Bay Island, reveals even stronger price growth than the mainstream villa market. Prime values continue to strengthen, growing by 29% in Q3 2022 alone. A shortage of new supply and strong inflows of UHNWI who are targeting second homes in Dubai's premier districts are behind the price rises.

This trend marks a significant departure to the emirate's two previous market cycles, where the overriding flavour of buyers was linked to buy-to-let or speculative purchases.

The Palm Jumeirah, one of Dubai's most exclusive addresses, for instance, has registered prime price growth in excess of 100% since the start of the pandemic. Prime residential prices across Dubai's top neighbourhoods increased 89% in the last 12 months but prices are rising from a low base. Average transacted prices stand at AED 3,220 psf, or around US\$ 870 psf, making Dubai one of the most 'affordable' luxury residential markets in the world.

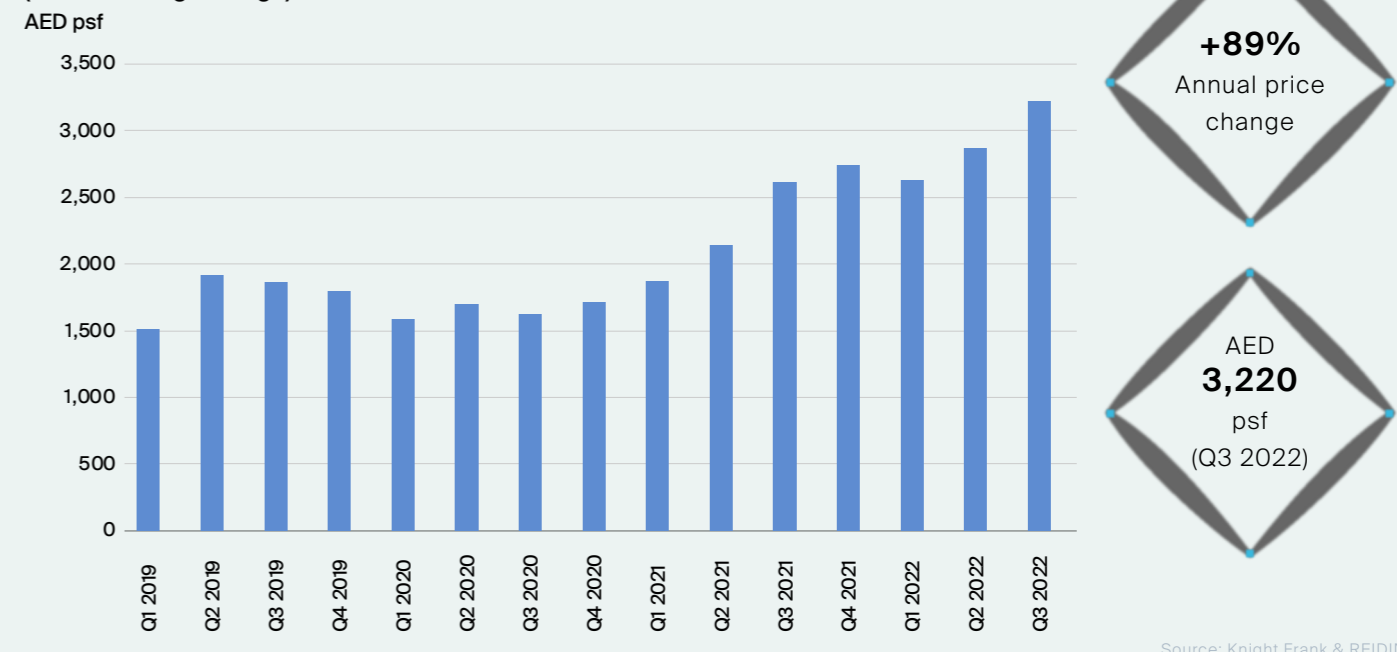
TOTAL VALUE OF RESIDENTIAL TRANSACTIONS

Average values
AED psf



PRIME RESIDENTIAL VALUE PERFORMANCE

(Emirates Hills, The Palm Jumeirah & Jumeirah Bay Island)
(Annual rolling average)



Dubai Income Multiplier Map

IN FOCUS: DUBAI'S AFFORDABILITY

As noted above, Dubai remains one of the most 'affordable' luxury home destinations in the world.

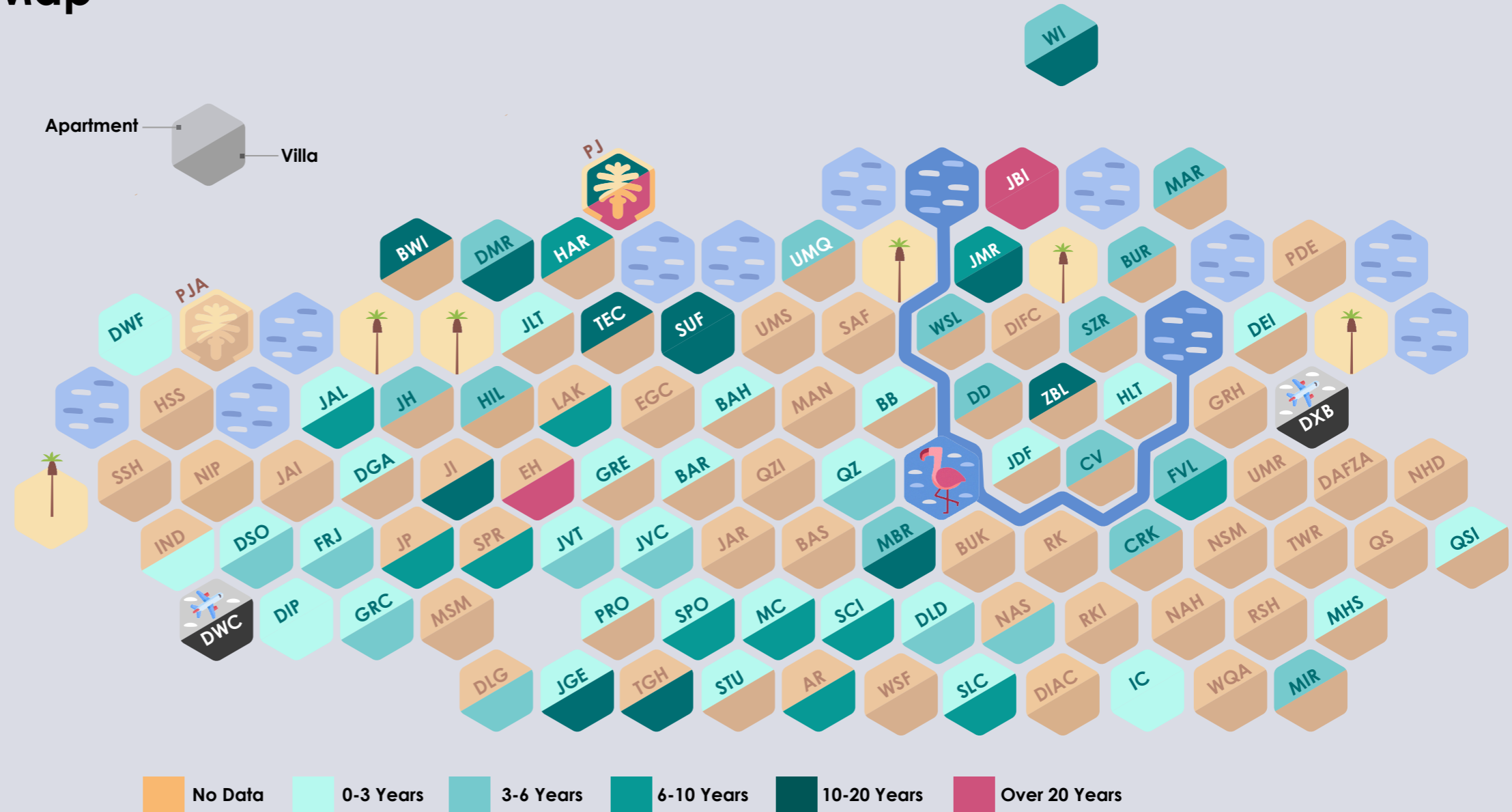
We have analysed the ratio of average income to average house prices across Dubai, by neighbourhood, in order to determine how affordable the mainstream market is.

Our analysis has revealed that the bulk of submarkets have house price to income ratios of under six times annual incomes. Globally, the threshold that is considered affordable is usually six-times your annual household income, which is approximately the level of mortgage most banks are willing to extend. This suggests that the bulk of the city remains 'affordable'.

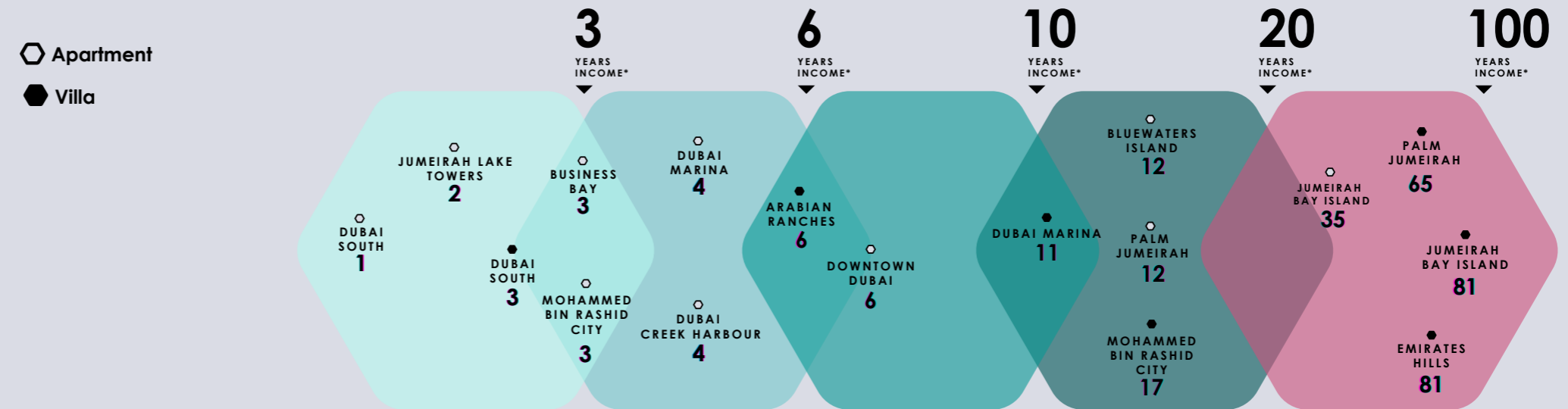
The outliers are our three prime submarkets: The Palm Jumeirah, Emirates Hills and Jumeirah Bay Island – the only three neighbourhoods where house prices are in excess of 20-times average household incomes.

LEGEND

AR Arabian Ranches	JI Jumeirah Islands
BAH Barsha Heights	JLT Jumeirah Lake Towers
BAR Al Barsha	JMR Jumeirah
BB Business Bay	JP Jumeirah Park
BUR Bur Dubai	JVC Jumeirah Village Circle
BWI Bluewaters Island	JVT Jumeirah Village Triangle
CRK Dubai Creek Harbour	LAK The Lakes
CV Culture Village	MAR Dubai Maritime City
DD Downtown Dubai	MBR Mohammad Bin Rashid City
DEI Deira	MC Motor City
DGA Discovery Gardens	MHS Muhaisanah
DIP Dubai Investment Park	MIR Mirdif
DLD Dubai Land	NAS Nad Al Shiba
DLG Damac Lagoons	PJ Palm Jumeirah
DMR Dubai Marina	PRO Dubai Production City (IMPZ)
DSO Dubai South	QSI Al Qusais Industrial
DWF Dubai Waterfront	QZ Al Quoz
EH Emirates Hills	SCI Dubai Science Park (Dubiotech)
FRJ Al Furjan	SLC Dubai Silicon Oasis
FVL Dubai Festival City	SPO Dubai Sports City
GRC Green Community (DIP)	SPR The Springs and The Meadows
GRE The Greens and The Views	STU Dubai Studio City
HAR Dubai Harbour	SUF Al Sufouh
HIL The Hills	SZR Trade Center (SZR)
HLT Dubai Healthcare City	TEC Tecom Business Park (Al Sufouh)
IC International City	TGH Tilal Al Ghaf
IND Dubai Industrial City	UMQ Umm Suqeim
JAL Jebel Ali	WI World Islands
JB Jumeirah Bay Island	WSL Al Wasl
JDF Al Jadaf	ZBL Zabeel
JGE Jumeirah Golf Estates	
JH Jumeirah Heights	



What you can buy with...



*DUBAI 2022 AVERAGE HOUSEHOLD INCOME

ULTRA-PRIME BOOM PERSISTS

Further up the price curve, ultra-prime homes sales, i.e., homes priced at over US\$10 million have had a record year so far in 2022.

152 ultra-prime sales were agreed in the first nine months of the 2022, eclipsing last year's record of 93. Of Dubai's three prime residential districts, the Palm Jumeirah, with an average transacted price of AED 3,050 psf, remains the most affordable, relative to Emirates Hills (AED 5,200 psf) and Jumeirah Bay Island (AED 6,350 psf).

LUXURY HOMES DROUGHT

Dubai's perennial challenge has been its 'build-it-and-they-will-come' mantra, which has resulted in more homes being built than the market is capable of absorbing. In this cycle however, the number of new high-end homes planned is failing to keep pace with demand.

At first glance, with nearly 81,000 units due by the end of 2025, the city appears well supplied. However, closer analysis reveals that just eight new villas are due in Dubai's prime residential areas between 2023 and 2025, all of which are on Jumeirah Bay Island.

Despite strong demand, developers are not delivering new projects at a faster rate as we have seen in the past.

SIX SENSES DOMINATES LUXURY SALES

Upcoming supply in prime residential submarkets such as Bulgari Lighthouse on Jumeirah Bay Island (31 apartments) and Alpago's Palm Flower on the Palm Jumeirah (11 apartments) account for some of new high-end homes coming to the market.

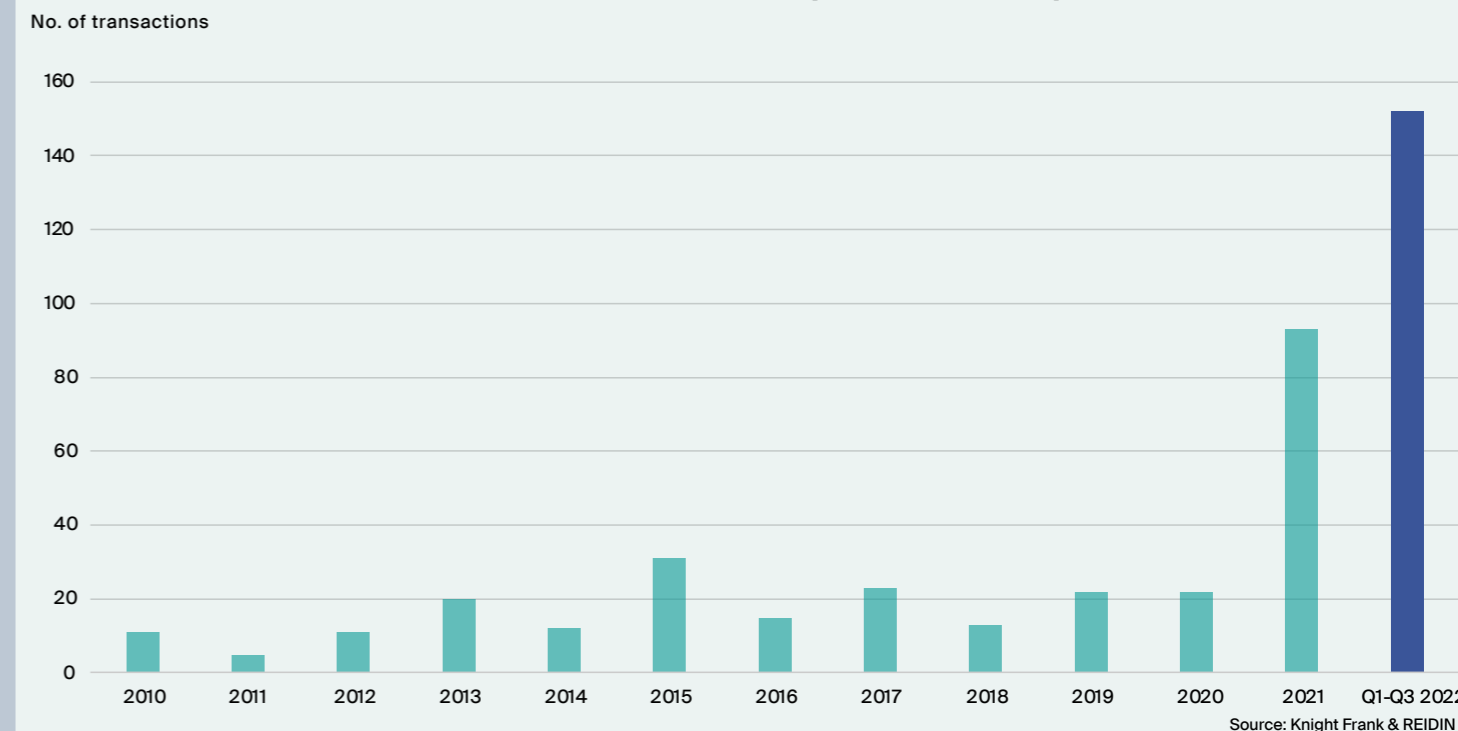
All that being said, recent weeks have seen some developers, such as Omniyat, moving to deliver ever more exclusive homes to the market.

Omniyat's US\$ 1.3bn Orla Dorchester Collection on the Palm Jumeirah, which will consist of 90 units, will include three sky palaces and one of the largest apartments on the Palm Jumeirah at 50,000 sqft. Units here will be priced upwards of US\$ 60mn.

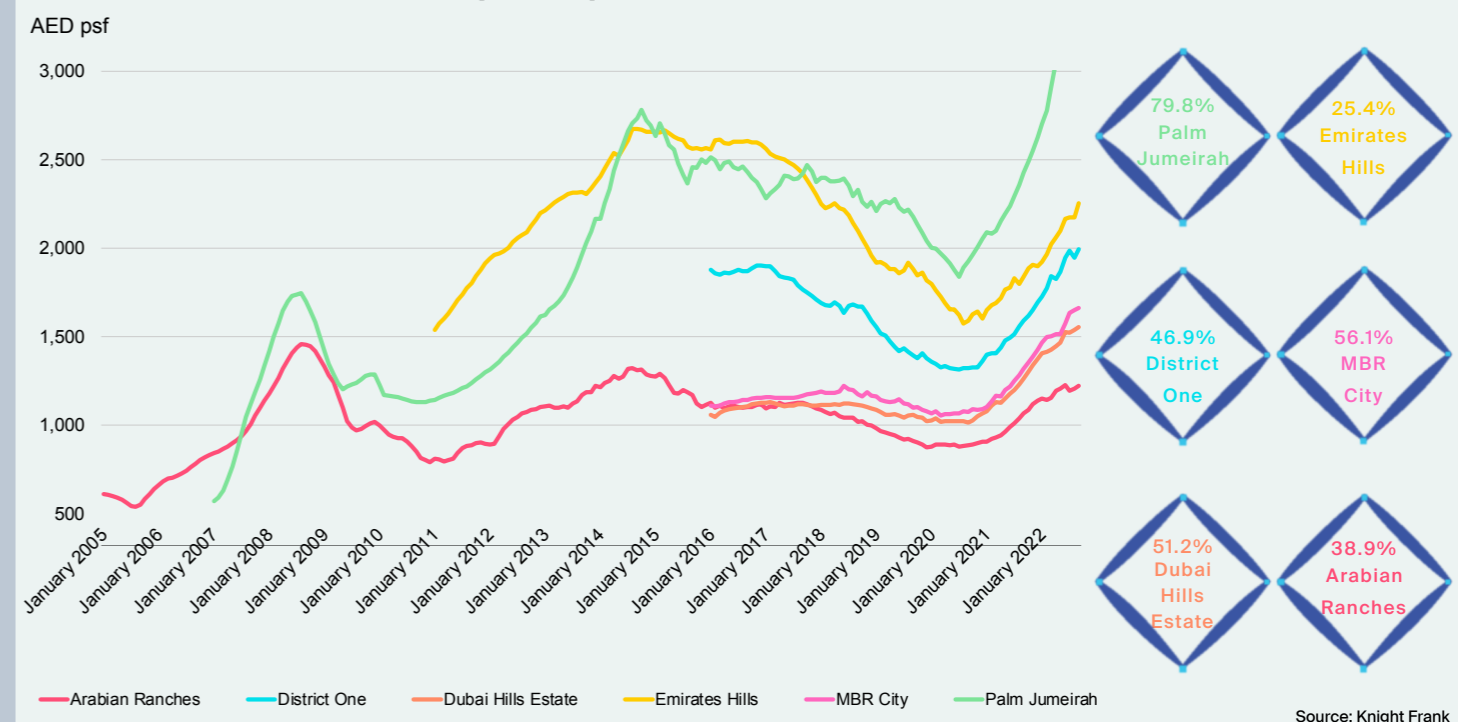
The Six Senses development on the Palm Jumeirah is one exception. Here 100 apartments have been sold this year, accounting for 11% of all prime sales between January and September.

The overriding challenge for the emirate is the shortage of waterfront homes. The revival of Deira Islands as The Dubai Islands should help to alleviate the drought of ultra-prime homes once the development plans are finalised, albeit it is likely to be a few years yet before the first homes are ready to move into here.

ULTRA-PRIME-SALES-NUMBER OF TRANSACTIONS (US \$10 MILLION)



DUBAI PRICE PERFORMANCE (VILLAS)



NEW SUPPLY SKEWED TOWARDS APARTMENTS

Away from the city's prime markets, Dubai's supply pipeline continues to grow, with a distinct focus in recent weeks on luxury homes.

Examples include Azizi's plans to revive the 570 meters, US\$ 1.4bn mixed-use Entisar Tower on Sheikh Zayed Road, which would become Dubai's second tallest building on completion. Construction is expected to commence in the new year.

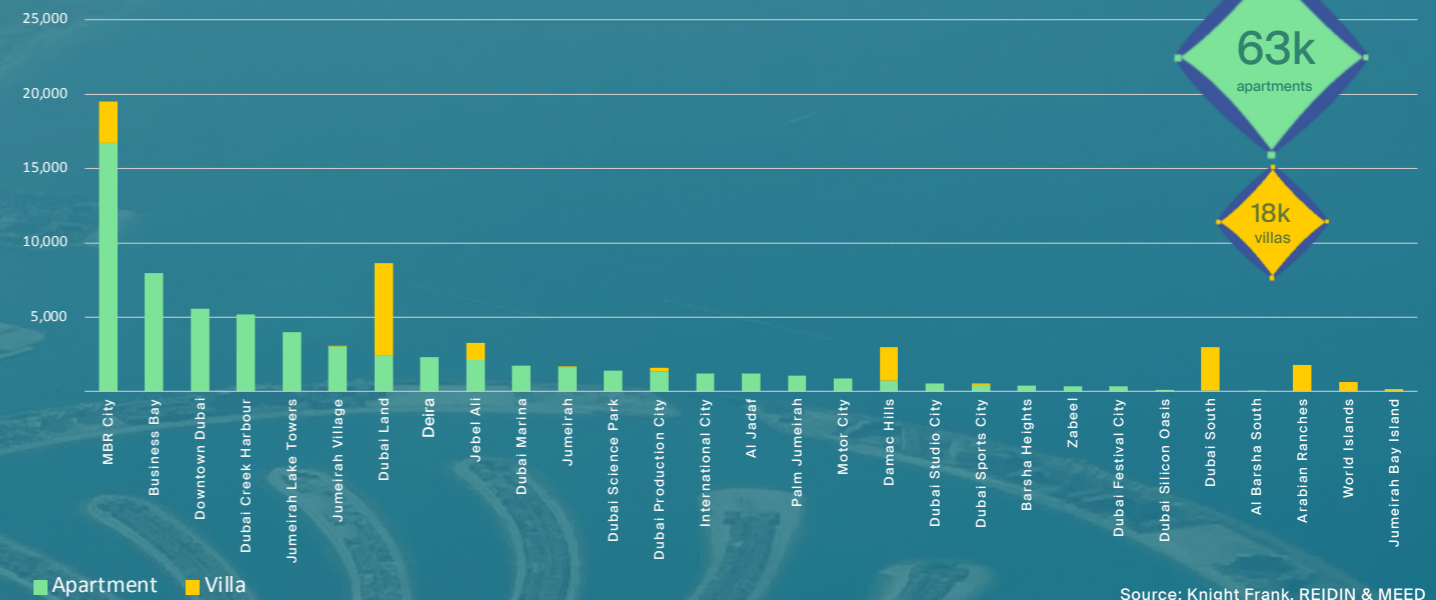
In addition, Binghatti and Jacob & Co. have announced Burj Binghatti Jacob & Co Residences, a new 100+ storey residential tower that will become the tallest residential building in the world on completion in 2025. The tower will be constructed on a site next to DAMAC Towers by Paramount Hotels & Resorts in Business Bay.

Interestingly, our analysis reveals that apartments remain the most popular residential unit type for developers, with 63,000 units, or 77% of the total supply through to 2025 falling into this category.

50% of the apartment supply will be developed in just four submarkets: Mohammed Bin Rashid City (17,000 units), Business Bay (8,000 units), Downtown (6,000 units) and Dubai Creek Harbour (5,000 units).

DUBAI - RESIDENTIAL SUPPLY (2022-2025)

50% of apartment supply in 4 submarkets
Number of units



“50% of the apartment supply will be developed in just four submarkets.”

MARKET OUTLOOK

The mainstream market is expected to register price increases of 5-7% by the end of 2022 and a similar rate of growth is expected in 2023.

For prime Dubai, prices are likely to end the year around 50% higher than 2021.

In 2023, we expect annual growth to moderate to 13.5% – still the highest growth rate for prime markets globally.

The fundamentals remain unchanged however and a return to steady and sustainable growth will instil confidence in homeowners and investors alike. Overall, city-wide prices remain 21.4% below the last peak in 2014.

Cash purchasers are on the rise, currently accounting for c. 80% of the total value of all transactions. Rising interest rates are clearly going to impact mortgaged buyers in the mainstream market.

However, with cash purchasers dominating Dubai's luxury residential market, it's unlikely we will see demand ebb, and this is despite the UAE's long-standing program of mirroring of US fiscal policy.



EXPERT VIEW: THE EVOLUTION OF RESIDENTIAL STOCK

The bulk of international buyers are being drawn to Dubai's unrivalled sun-sea-sand lifestyle, which tends to come with villa or waterfront purchases, and this is where demand continues to intensify. Indeed, the city just set a new record price, with the sale of an US\$ 82 million home on the Palm Jumeirah.

At around AED 3,200 psf, or about US\$ 870 psf, Dubai's Prime residential neighbourhoods remain amongst the most affordable in the world. This combined with the high quality of residential product now available in the upper echelons of the market, is cementing Dubai's position as one of the world's leading second homes markets.

International buyers are looking for properties that would not look out of place in Miami, Monaco, or LA. Developers are responding, with contemporary homes, complete with extensive use of glazing and ultra-modern finishes transforming the residential landscape. Smaller, more private developments are particularly popular amongst the international elite. Dubai is quickly moving away from the days of Mediterranean themed homes, with ultra-modern developments quickly starting to dominate.

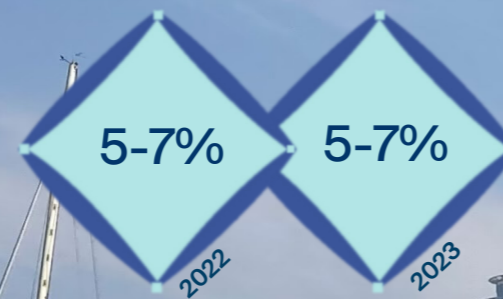
- Andrew Cummings, Partner – Head of Prime Residential

RESIDENTIAL MARKET FORECASTS

PRIME MARKET



MAINSTREAM MARKET



Source: Knight Frank

RISKS

Our outlook is not without its risks. Dubai is a world city and as such is to an extent vulnerable to global macroeconomic conditions.

With increasing global economic uncertainty, Dubai is once again emerging as a safe haven destination, just as it did during the height of the COVID-19 pandemic.

The demand-supply imbalance, the government's world-leading response to the pandemic, one of the most business-friendly environments anywhere and arguably some of the world's best beachfront real estate is what underpins our outlook.

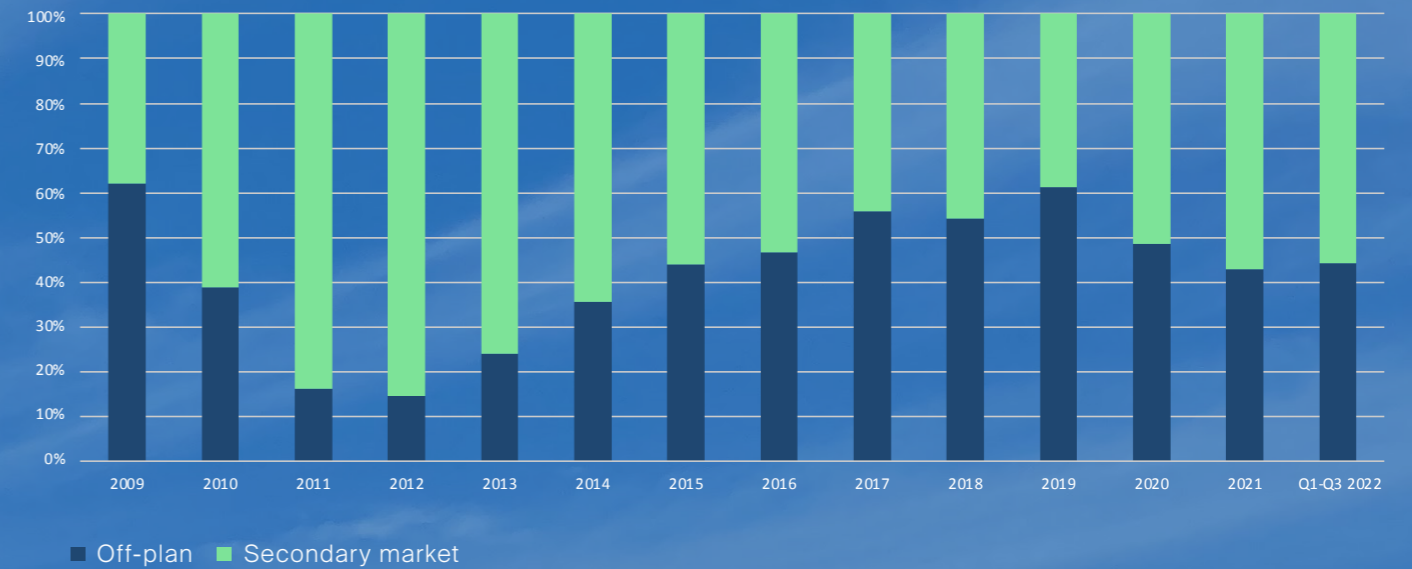
The UAE, along with its neighbour Saudi Arabia, is forecast to have one of the world's fastest growing economies in 2022, with growth of 6-7%. This strong growth is echoed by the UAE's non-oil sector PMI readings which have remained in expansionary territory for two-years, highlighting the depth of nationwide business confidence.

Even the risk of an off-plan sales driven slowdown appears limited, with off-plan purchases accounting for 40% of transactions so far this year, matching the 10-year average and a lower proportion than in both 2019 and 2020.

And finally, with the US dollar strengthening against a range of currencies over the last six months, the UAE dirham's fixed peg to the greenback may impact Dubai's relative affordability for buyers from markets such as the UK, or EU, long-time stalwarts in the emirate's buyer nationality league table. Any impact however thus far appears to be negligible.

For now, buyers and investors from locations across South America and Eastern Europe are joining the diverse mix of second-home buyers and investors from countries and territories such as Monaco, Austria, Switzerland, India, Singapore, Hong Kong, the UK, the US and the GCC.

OFF PLAN SALES VOLUMES IN LINE WITH 10-YEAR AVERAGE



Source: Knight Frank & REIDIN

“Dubai is a world city and as such is to an extent vulnerable to global macroeconomic conditions.”



SOARING RENTS

Away from the sales market and contrary to expectations, rental yields are holding firm at around 6.5% across all residential property types, buoyed by rental growth that is keeping pace with capital value increases. Average rents in the city currently stand at AED 77 psf.

The top of the market has experienced the steepest gains, with rents for villas on the Palm Jumeirah increasing by almost 44% in the last 12 months and by just over 92% since the start of the pandemic. Rents here currently stand at AED 141 psf.

More affordable villa locations are also recording similarly high growth in lease rates. At The Springs (AED 67 psf), for instance, average lease rates have climbed by nearly 22% in the last 12 months, with rents at Arabian Ranches (AED 72 psf) rising by a similar amount (22.4%).

In addition, apartment rents have also jumped, rising by 27% since last year and currently stand at AED 79 psf. Palm Jumeirah (40%) and Downtown (38%) lead the pack.

Overall, apartment lease rates have exceeded pre-covid levels by 11.7%, but are still some 22.7% lower than the last market peak in 2015.

Villas on the other hand have seen average rental rates rise by close to 39% since the pandemic began and are now just 3.9% down on the last peak in 2015.

LEASING MARKET



Source: Knight Frank & REIDIN



KEY CONTACTS

Andrew Cummings

Partner - Head of Prime Residential, Middle East
Andrew.Cummings@me.knightfrank.com
+971 56 1224 229

Shehzad Jamal

Partner - UAE StratCon-Healthcare | Education | Real Estate
Shehzad.Jamal@me.knightfrank.com
+971 56 4101 298

Stephen Flanagan

Partner - Head of Valuation & Advisory, MENA
Stephen.Flanagan@me.knightfrank.com
+971 50 8133 402

Imran Hussain, BSc, MRICS

Partner - Head of Residential Valuations
Imran.Hussain@me.knightfrank.com
+971 50 3832 491

Dean Foley

Associate Partner - Residential Project Sales & Marketing
Dean.Foley@me.knightfrank.com
+971 50 1060 784

RESEARCH:

Faisal Durrani

Partner - Head of Middle East Research
Faisal.Durrani@me.knightfrank.com
+971 50 421 9562

Alaa Aljarousha

Manager - Middle East Research
Alaa.Aljarousha@me.knightfrank.com
+971 56 5489 626

Lubaba Fakeih

Geospatial Analyst
Lubaba.Fakeih@me.knightfrank.com
+966 55 552 3659

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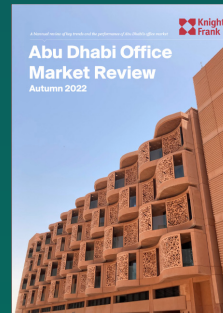
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