

Dubai Residential Market Review



Summer 2023

A quarterly review of key trends and the performance of Dubai's residential market

knightfrank.ae/research



Average prices rise by 4.8% in Q2

Residential values across Dubai rose by 4.8% during Q2 2023, marking the 10th consecutive quarter of price rises. The latest increase leaves values 24% higher than Q1 2020 however, average prices remain 11% below the 2014 peak. On an annualised basis, prices are up by 17%.

At a segment level, apartment prices increased by 4.8% to a little over AED 1,290 psf during Q2, with values now 21% higher than in Q1 2020. Despite rising by 17% over the last 12 months, apartments still trail the 2014 peak by 14%.

In addition, villa prices also increased by 4.8% between March and June to reach an average of AED 1,520 psf, a rise of 15% from last summer and 51% higher than January 2020 levels.

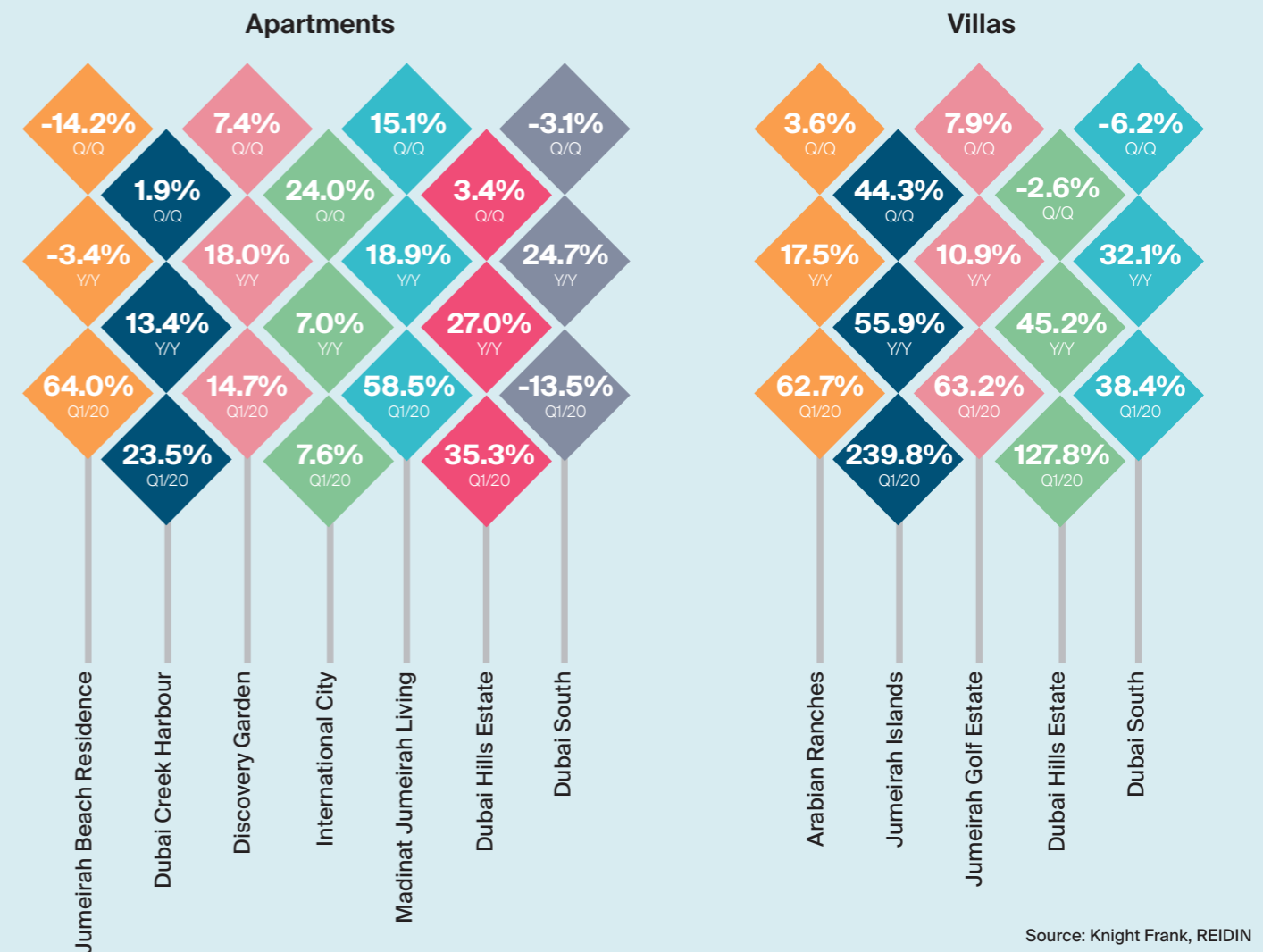
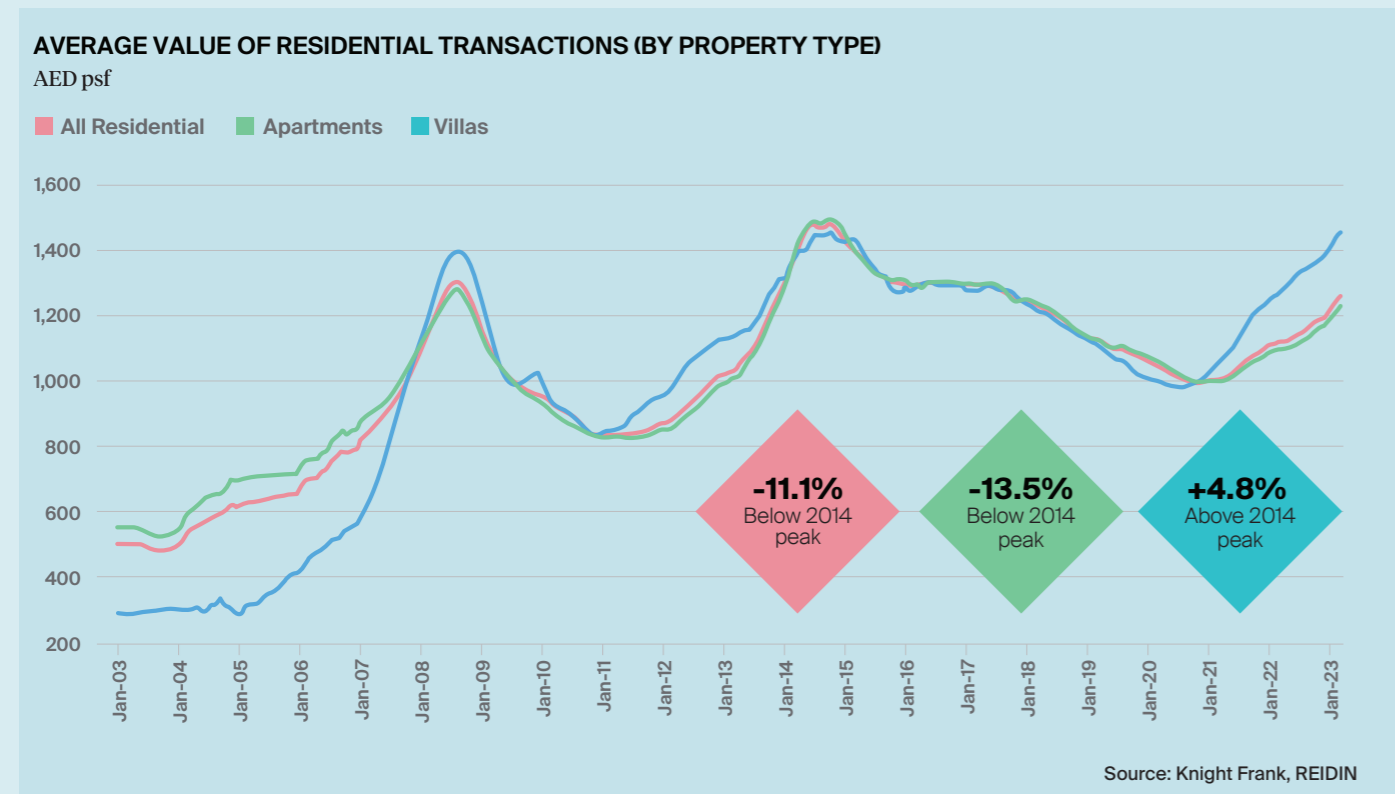
This growth is being driven in large part by the sustained strong demand for luxury second homes from the international elite. Unsurprisingly, this level of growth has resulted in villa prices surpassing the last market peak in 2014 by almost 5%. This figure is substantially higher in high-demand neighbourhoods, which we explore below.

While price growth over the last three and a half years has undoubtedly been strongest in the city's most expensive submarkets, more affordable locations, at least on a price psf basis, have also experienced a surge in values.

Demand for homes in inland communities, which are relatively more affordable than coastal developments, for instance, have registered some of the steepest rises over the last 12-months, fuelled by domestic buyers.

At Dubai Hills Estate, for instance, apartment prices stand at approximately AED 1,940 psf, an increase of almost 27% in the last 12 months.

Similarly, at Jumeirah Islands, villa prices have increased by 56% in the last 12 months alone to reach AED 2,510 psf, positioning it as the neighbourhood with the fastest rising villa values.



Palm Jumeirah is still the star performer

The Palm Jumeirah remains the city's star-performing villa market, with prices growing by 9% in Q2 alone. This performance has propelled the growth rate to 44% over the past year.

The exceptional demand for homes in Dubai's iconic Palm Jumeirah is best reflected in the fact that villa prices have risen by 146% since January 2020, but remain at about AED 4,800 psf, making property on The Palm Jumeirah relatively affordable on a global scale. However, villa prices are now 67% higher than their 2017 peak, while apartments still lag their last peak in 2015 by 7%.

Not far behind The Palm Jumeirah are Dubai Hills Estate villas, where values have increased by 24% over the last 12 months, followed by Mohammed Bin Rashid (MBR) City and District One, where prices have grown by 13% and 14%, respectively, over the same time period.

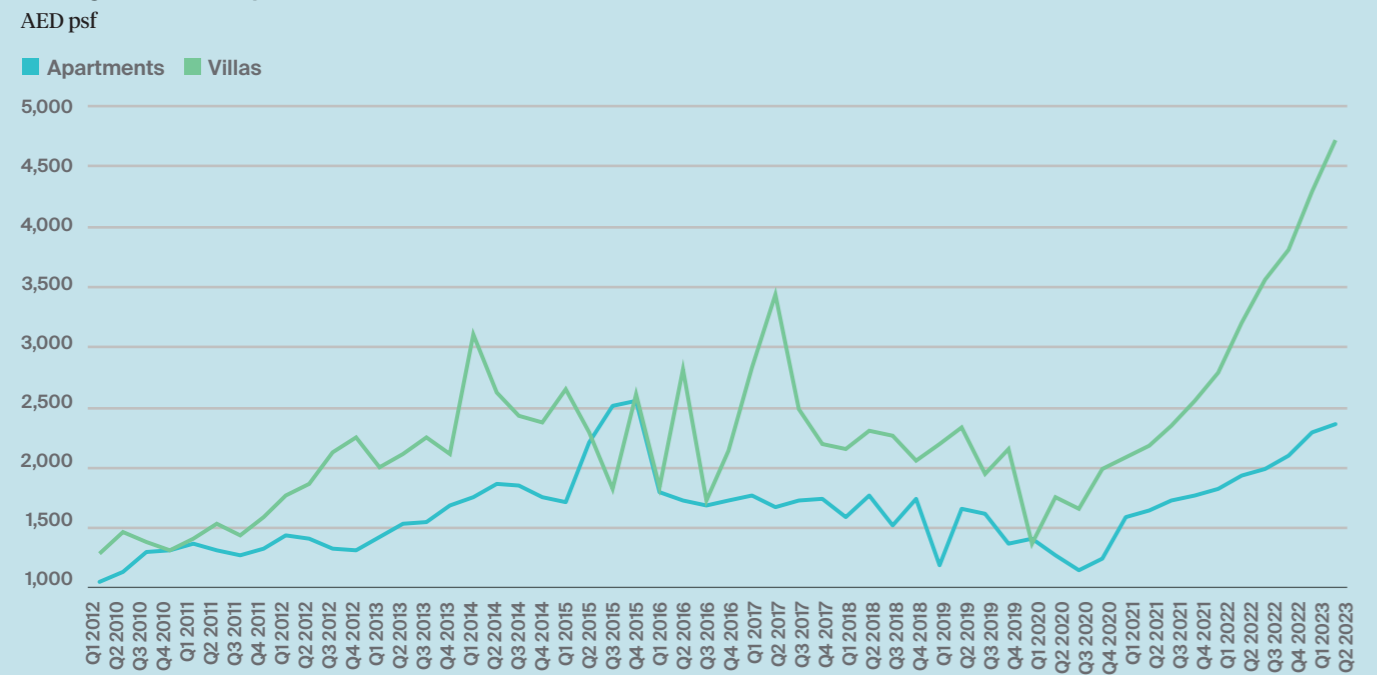
While apartment transacted prices have not risen at the same rate as villas, some of the city's most sought-after locations have experienced significant price rises.

Downtown (AED 2,440 psf) at 12.5%, for instance, which was named as the second most popular target location by global HNWI in our recently published [2023 Destination Dubai report](#), leads the league table for the first six months of this year, closely followed by Business Bay (12.4%) and The Palm Jumeirah (11.7%).



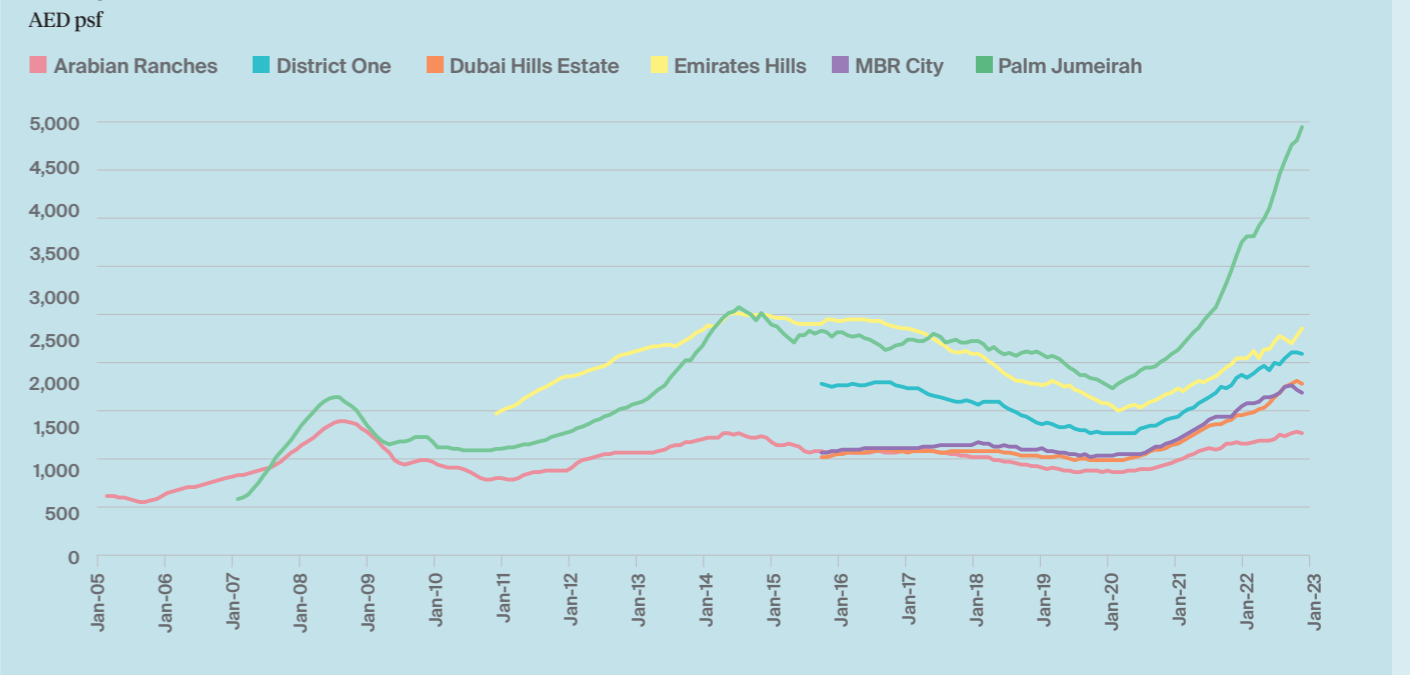
“The exceptional demand for homes in Dubai’s iconic Palm Jumeirah is best reflected in the fact that villa prices have risen by 146% since January 2020.”

Average transacted prices on the Palm Jumeirah



Source: Knight Frank, REIDIN

Average value of residential transactions (by villa submarket)



Source: Knight Frank, REIDIN

Prime prices up 11.6% in Q2

Dubai's prime markets, in particular, remain highly sought after and are responsible for 13% of transactions (by total value) that have taken place during H1 across the city. The submarkets that we classify as prime are The Palm Jumeirah, Emirates Hills, and Jumeirah Bay Island.

With average prime transacted prices standing at around AED 3,560 psf, or about US\$ 970 psf, Dubai remains one of the world's most affordable luxury home markets, which continues to add to the city's appeal amongst international buyers.

Knight Frank's buyer data for H1 shows that nationals from China (18%) accounted for the biggest group of international buyers, followed by purchasers from Emirati nationals (16%) and the United Kingdom (14%).

This mirrors 2022, when Chinese buyers dominated our league table, alongside British (21%) and Indian (12%) nationals.

The demand for prime residential property has been so intense that Dubai experienced a record 44% hike in prime home prices last year – the highest level globally. Factoring for the 11.6% increase in average transacted prices during Q2, the annualised rate of growth has further accelerated to 48.8%, marking the second quarter of growth in prime values.

The sustained increases look set to persist, particularly as limited new inventory, coupled with a continued influx of UHNWI acquiring second homes in Dubai's prime neighbourhoods will continue to support additional growth in property prices.

Indeed, just 368 homes are expected in Dubai's prime neighbourhoods between now and the end of 2025, 98% (or 360 units) of which are apartments. We return to the broader theme of supply later in the report.



Alpago's Palm Flower
(11 apartments)



Ellington Beach House
(123 apartments)

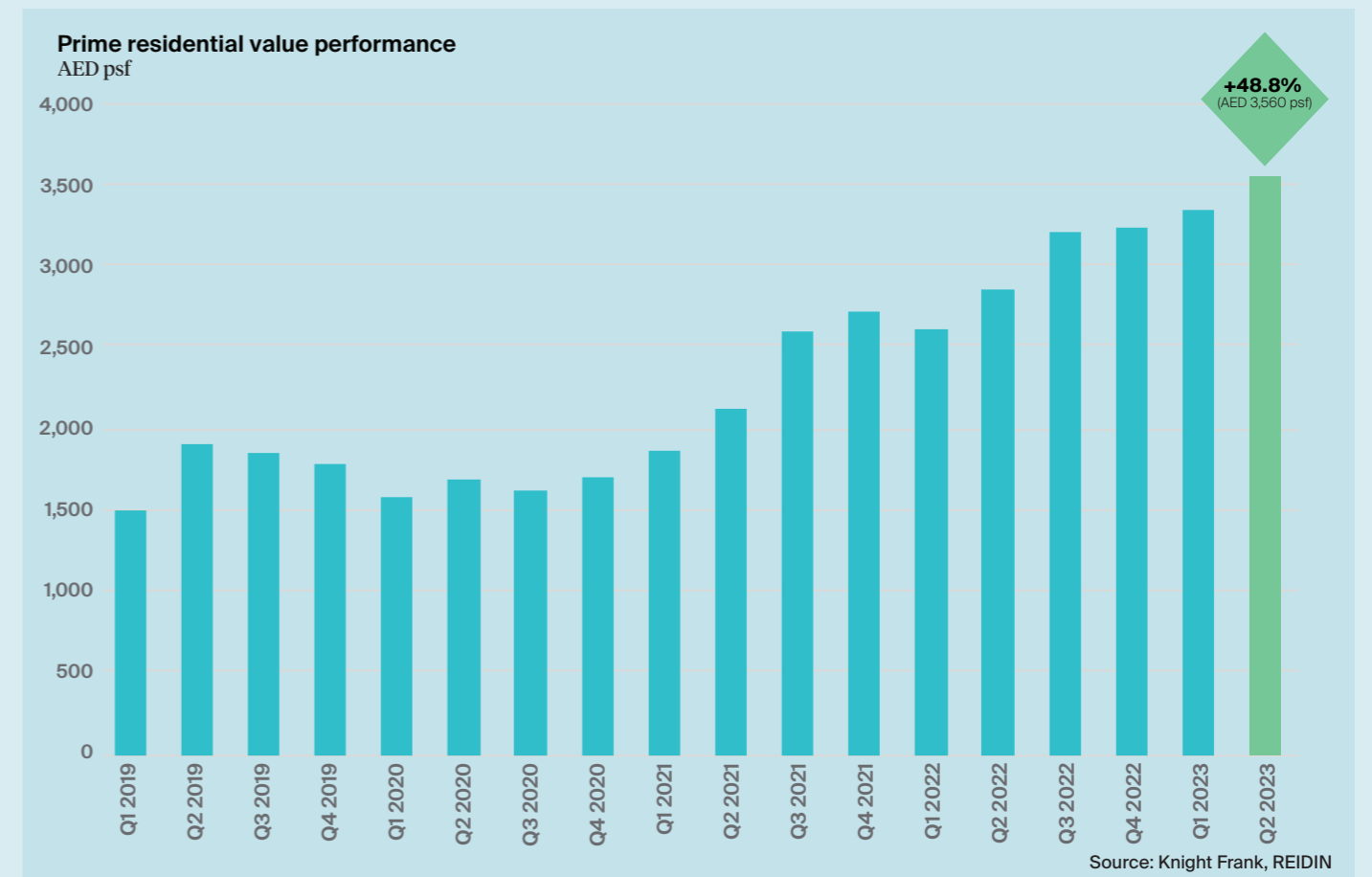


Serenia Living
(226 apartments)



Bvlgari Mansions
(8 villas)

“Just 368 homes are expected in Dubai's prime neighbourhoods between now and the end of 2025.”



Sustained ultra-prime demand

Dubai's luxury homes market continues to attract the attention of the world's wealthy, with global high-net-worth-individuals remaining laser focussed on acquiring second homes in the emirate, as evidenced by the US\$ 3.3 billion worth of homes sold in the exclusive US\$ 10 million+ price bracket during H1.

Furthermore, with 188 US\$ 10 million home sales in the first six months of 2023, the city is expected to exceed the total number of US\$ 10 million homes sold in 2022. In addition, with average transacted prices continuing to hover at around AED 6,700 psf, or about US\$ 1,800 psf, the emirate continues to offer relatively affordable access to uber luxury living. Still, the average transacted price in this segment of the market is up 7% on 2022's AED 6,250 psf.

History of US\$ 10 million+ home sales in Dubai

2010	11
2011	5
2012	11
2013	20
2014	12
2015	31
2016	15
2017	23
2018	13
2019	22
2020	22
2021	93
2022	224
H1 2023	188

Source: Knight Frank, REIDIN

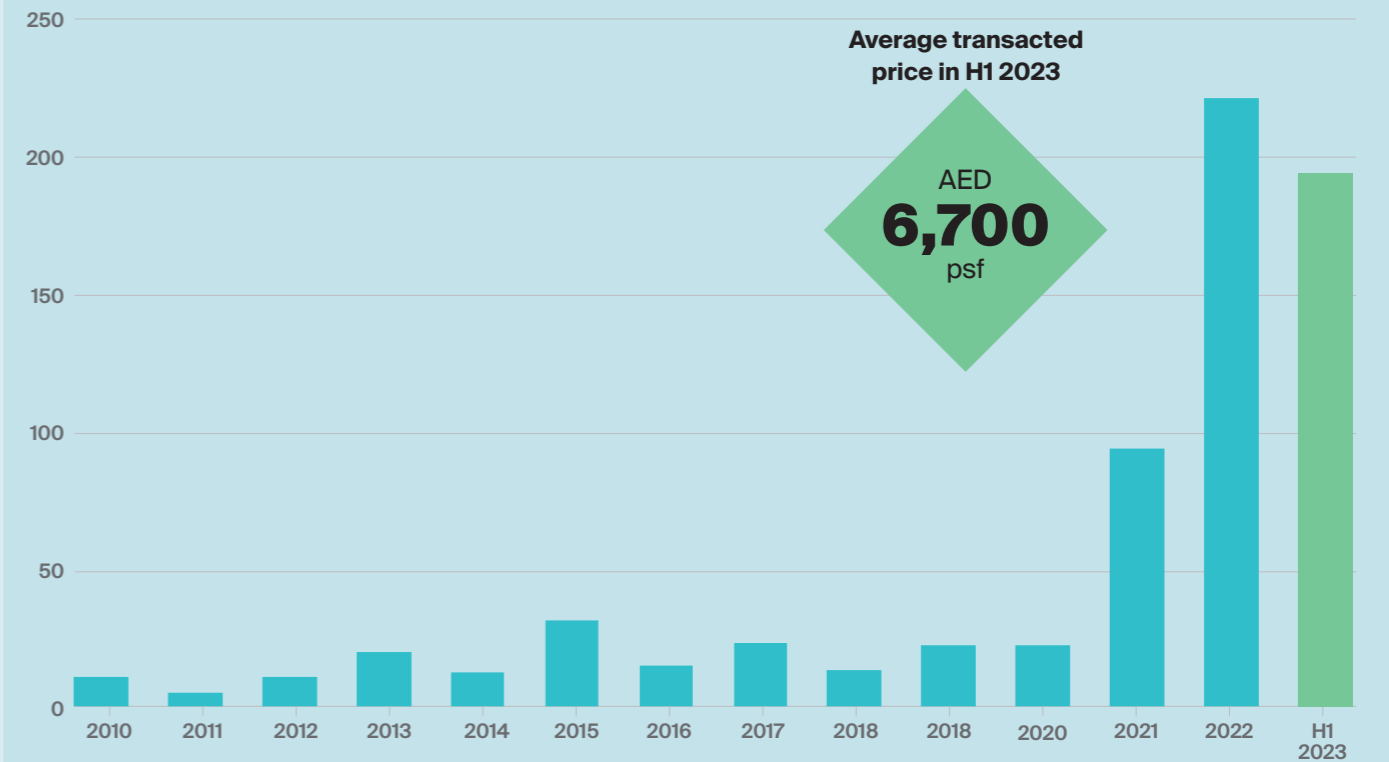
US\$ 10 million+ home sales in dubai (H1 2023)

Palm Jumeirah	72
Jumeirah Bay Island	33
Al Wasl - Dubai Canal	18
Emirates Hills	16
Tilal Al Ghaf	11
Dubai Hills Estate	10
Downtown	5
Business Bay	4
Jumeirah Beach Residence	4
Bluewaters Island	3
District One	3
Al Barari	2
Jumeirah Second	2
Za'abeel First	2
Dubai Harbour	1
Jumeirah Golf Estates	1
Total	188

Source: Knight Frank, REIDIN



NUMBER OF US\$ 10 MILLION+ TRANSACTIONS IN DUBAI



Source: Knight Frank, REIDIN

Sustained ultra-prime demand

What's more, with 92 deals, Dubai emerged as the busiest US\$ 10 million plus market in the world during Q1 2023, edging past Hong Kong (67) and New York (58).

The city's prime neighbourhoods of The Palm Jumeirah, Emirates Hills, and Jumeirah Bay Island continue to dominate sales, accounting for 33% of all US\$ 10 million plus home sales

in Q2. The average sales price during Q2 stood at US\$ 17.5 million for all US\$ 10 million+ home sales.

Other neighbourhoods such as Jumeirah Golf Estates, Al Barari, Tlal Al Ghaf, and Jumeirah Islands are likely to soon qualify as prime and remain on our "prime watch list".



EXPERT INSIGHT

Improving inland infrastructure could be one way to spur development away from the coast, particularly considering the rising importance of green spaces or parks to international HNWI eyeing up residential purchases in Dubai. We have found that 86% of global HNWI cite parks as their number one consideration when looking at a residential investment in Dubai. Given the limited number of development sites in coastal communities, this may be a way to create more inland prime neighbourhoods.

Faisal Durrani
Partner - Head of Research, Middle East & North Africa

Global US\$ 10 million+ home sales in 2022 - top 10 locations

Rank	City/Territory	Number of US\$ 10M+ homes sold	Total value of US\$ 10M+ homes sold
1	London	246	US\$ 4.7 billion
2	New York	244	US\$ 4.5 billion
3	LA	234	US\$ 4.5 billion
4	Dubai	224	US\$ 3.9 billion
5	Miami	149	US\$ 2.7 billion
6	Hong Kong	131	US\$ 2.9 billion
7	Singapore	125	US\$ 2.2 billion
8	Palm Beach	113	US\$ 2.0 billion
9	Sydney	108	US\$ 1.7 billion
10	Orange County	90	US\$ 1.4 billion

Source: Knight Frank, REIDIN

Global US\$ 10 million+ home sales in Q1 2023 - top 10 locations

Rank	City/Territory	Number of US\$ 10M+ homes sold	Total value of US\$ 10M+ homes sold
1	Dubai	92	US\$ 1.7 billion
2	Hong Kong	67	US\$ 988 million
3	New York	58	US\$ 942 million
4	LA	46	US\$ 763 million
5	Singapore	37	US\$ 579 million
6	London	36	US\$ 736 million
7	Palm Beach	30	US\$ 510 million
8	Miami	20	US\$ 327 million
9	Geneva	19	US\$ 452 million
10	Sydney	10	US\$ 133 million

Source: Knight Frank, REIDIN

Off-plan sales rise

One of the key features of Dubai's current and third freehold residential market cycle has been the dominance of genuine end-users and second-home buyers in particular.

Historically, the market was driven largely by speculative activity, fuelled, of course, by the abundance of off-plan purchase options. In 2009, for instance, just as the Global Financial Crisis was looming large, 61% of all home sales in Dubai were off-plan transactions. The 10-year average has settled at around 42%, and both 2021 and 2022 – the first two years of this third property cycle – have stood at 42% and 44%, respectively, broadly in line with the 10-year average.

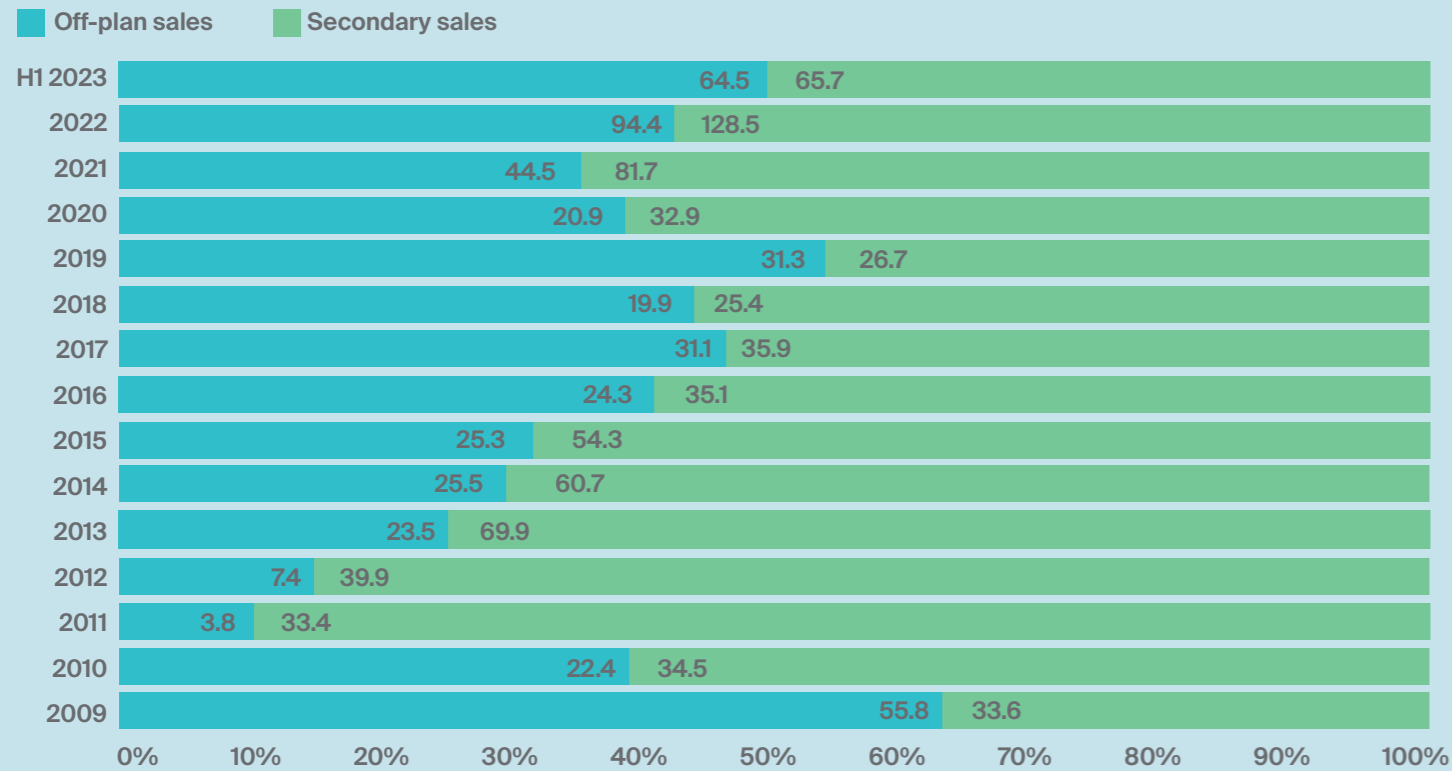
This trend is also echoed in our 2023 Destination Dubai report, with 53% of HNWI buyers focussed on acquiring 'recently built/completed' homes in Dubai. It is strongest among those with a net worth of over US\$ 10 million (61%), as well as 71% of HNWI from East Asia. Overall demand for off-plan purchases is relatively low at just 10% among global HNWI.

With a rise in the volume of product launches over the last 12 to 18 months, as developers respond to the stable and sustained demand for homes, the volume of off-plan homes sold has been unsurprisingly rising. Indeed, during H1, off-plan sales, at AED 65.7 billion, have edged out sales for ready homes (AED 64.4 billion).



Dubai residential off-plan vs. secondary sales (by value)

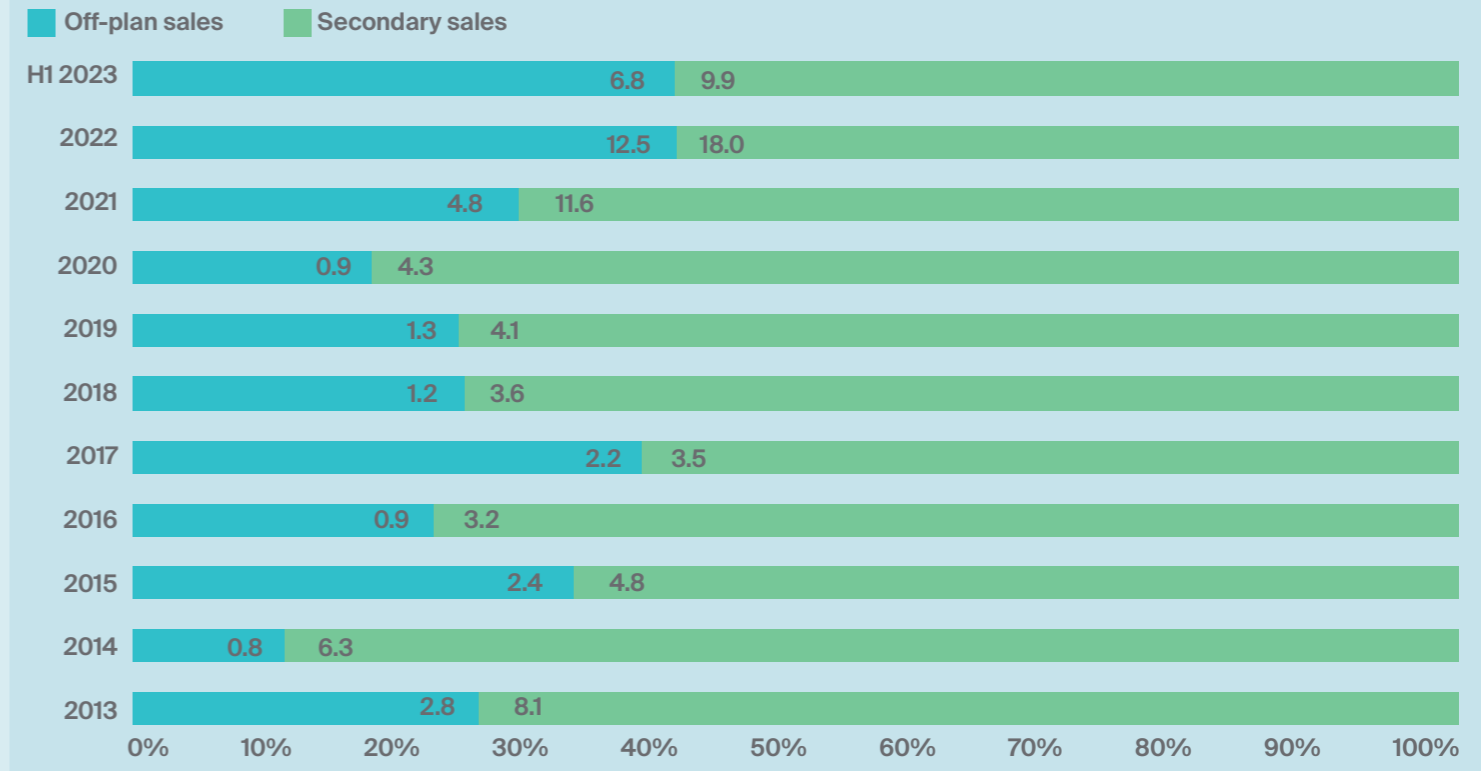
AED billions



Source: Knight Frank, REIDIN

Prime submarkets residential off-plan sales vs. secondary sales (by value)

AED billions

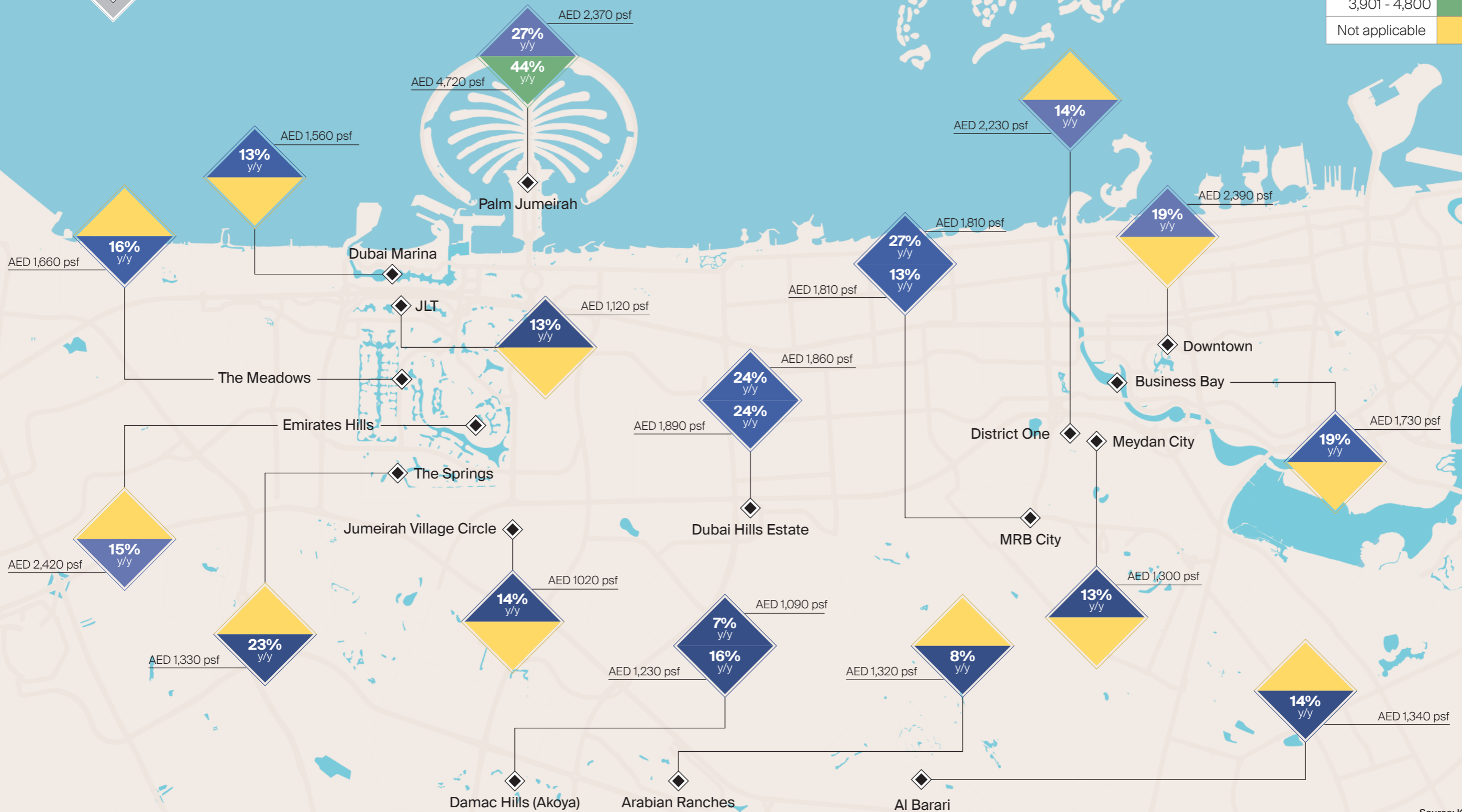
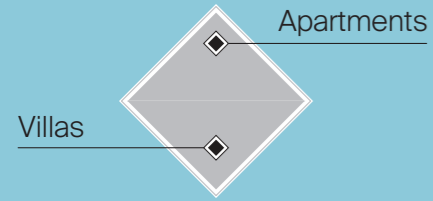


Source: Knight Frank, REIDIN

Residential values in Dubai | Q2 2023

AED psf

900 - 1,400	Dark Blue
1,401 - 1,900	Blue
1,901 - 2,400	Light Blue
2,401 - 2,900	Light Green
2,901 - 3,400	Green
3,401 - 3,900	Light Green
3,901 - 4,800	Green
Not applicable	Yellow



Source: Knight Frank, REIDIN

Apartments dominate supply

While supply remains tight in the city's prime neighbourhoods, the pipeline of new homes under construction across the rest of the emirate is continuing to grow.

We expect 85,200 homes to be delivered by the end of 2028, 69% of which are apartments (59,000 units). Almost 40,000 of these homes are expected to be completed this year alone.

While this figure is above the long-term average of around 35,000 home completions per year, we do not expect this total to be met, with 30% to 40% likely being delayed until next year; a common feature in Dubai's residential market.

Indeed of the 40,000 homes expected this year, just 8,600 have been handed over to date.

Excluding 2023 and assuming all 40,000 homes are completed this year, 42,500 units are scheduled for completion between 2024 and 2028, representing an average of just 8,500 homes per year – a 75% reduction on the long-term rate of home deliveries, strongly hinting at continued upward pressure on prices, particularly as the population continues to swell, recently surpassing 3.5 million residents.

One of the most significant additions to the city's residential supply is the under-construction apartment development by Damac: Akyon City Phase 1 Tower A, comprising 3,145 units, set to be completed by Q3 2023 in Business Bay. Elsewhere, Seven City in Jumeirah Lake Towers is expected to add around 2,700 homes to Dubai's total stock in 2027.

In addition, Damac Properties is undertaking several villa projects in Damac Lagoons and Damac Hills totalling to c. 5,100 units to be completed between 2024 and 2026.

Emaar Properties is also undertaking several villa projects mainly in MBR City and Arabian Ranches totalling c. 3,900 units to be completed by 2025.

Lastly, Dubai South is another submarket that is undergoing several villa construction projects, The Pulse Beachfront 1, 2, and 3 to name a few. A total of c. 1,100 units are due for completion by 2025



Dubai's top submarkets for new supply (2023-2028)

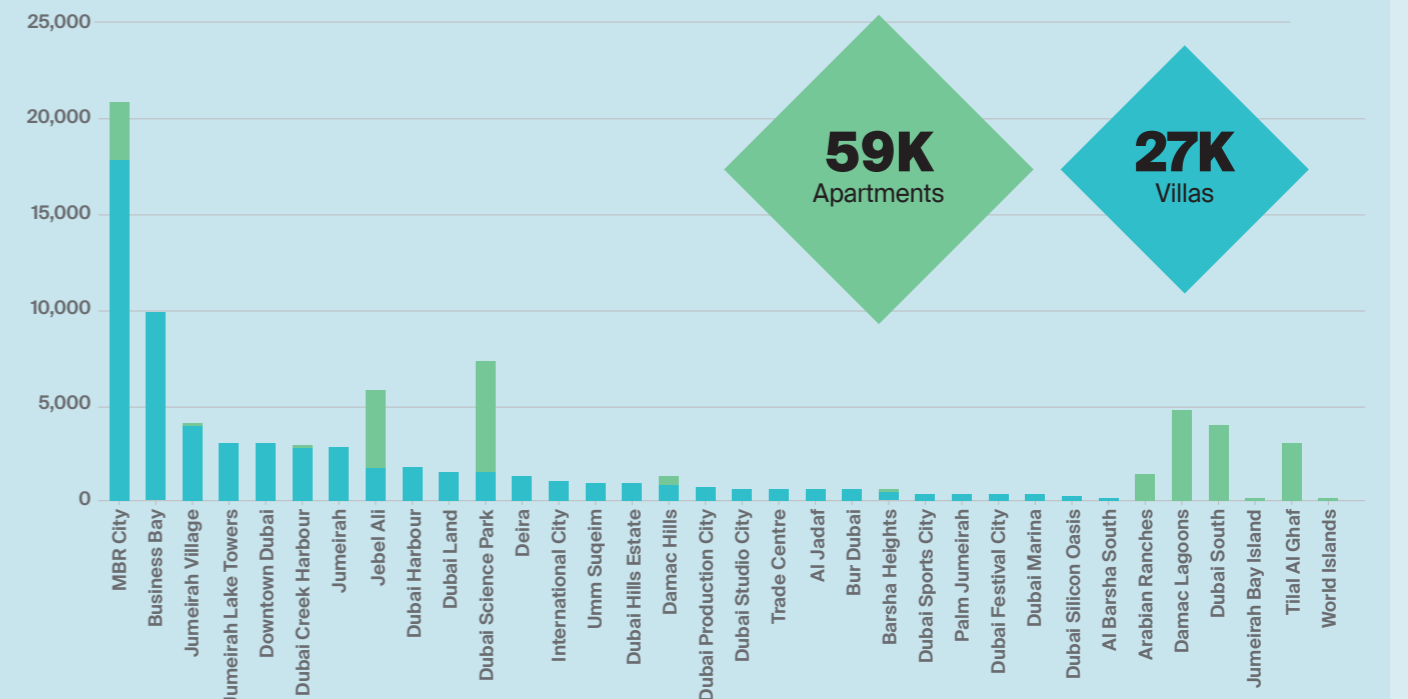
Overall			Apartments		Villas	
Rank	Location	Number of units	Location	Number of units	Location	Number of units
1	MBR City	20,677	MBR City	17,621	Dubai Land	5,777
2	Business Bay	9,746	Business Bay	9,746	Damac Lagoons	4,676
3	Dubai Land	7,213	Jumeirah Village	3,861	Jebel Ali	3,984
4	Jebel Ali	5,698	Dubai Creek Harbour	3,008	Dubai South	3,851
5	Damac Lagoons	4,676	Downtown	2,914	MBR City	3,056

Source: Knight Frank, REIDIN

DUBAI RESIDENTIAL SUPPLY BY SUBMARKET (2023-2028)

No. of units

■ Apartments ■ Villas



Source: Knight Frank, REIDIN

In focus: project launches

In addition to the under construction supply detailed above, we are also tracking project launches – these are developments that are yet to break ground.

As well as the 30,000+ units detailed in our [Dubai Residential Market Review - Spring 2023](#), an additional 12,000 units were launched in Q2, 83% of which were apartments. This takes the total number of unit launches to 42,000.

The majority (58%) of the launched projects were concentrated within five key submarkets: Al Barsha South

(14%), Business Bay (14%), The Palm Jumeirah (11%), Dubai Harbour (10%), and Jumeirah Village Circle (JVC) (9%).

One of the biggest announcements of Q2 was the relaunch of Palm Beach Towers in The Palm Jumeirah with 1,265 units to be delivered by Q4 2025.

Elitz 2 by Danube Properties follows with 788 units expected to be completed by 2026. Binghatti Gardenia (700 units), Bayview (664 units), and Seapoint at Marsa Dubai (661 units) all ranked among the top 5 launch

projects by number of units.

Other recent villa-only launches include the Mudon Al Ranim 5, 6, 7, and 8, with a total of 870 units all expected to be completed by 2026.

In addition, The Valley – Riviana (486 units), May at Arabian Ranches 3 (298 units), and South Bay 2 and 3 (358 units) at Dubai South are also projects that were launched between April and June of this year.

c. 12,000
units

launched units
(not yet under construction)

◆ Total number of launched units



In focus: cash is still king

Cash purchasers continue to dominate Dubai's most luxurious residential properties, and currently account for c. 80% of the total value of all transactions in Q2 2023.

This is shown by the percentage split between cash and mortgage buyers over various quarters, which reflects this ongoing trend.

Despite minor fluctuations, the stronghold of cash buyers remains evident, reaffirming Dubai's appeal for those seeking to capitalize on secure and cash-driven real estate transactions.



EXPERT INSIGHT

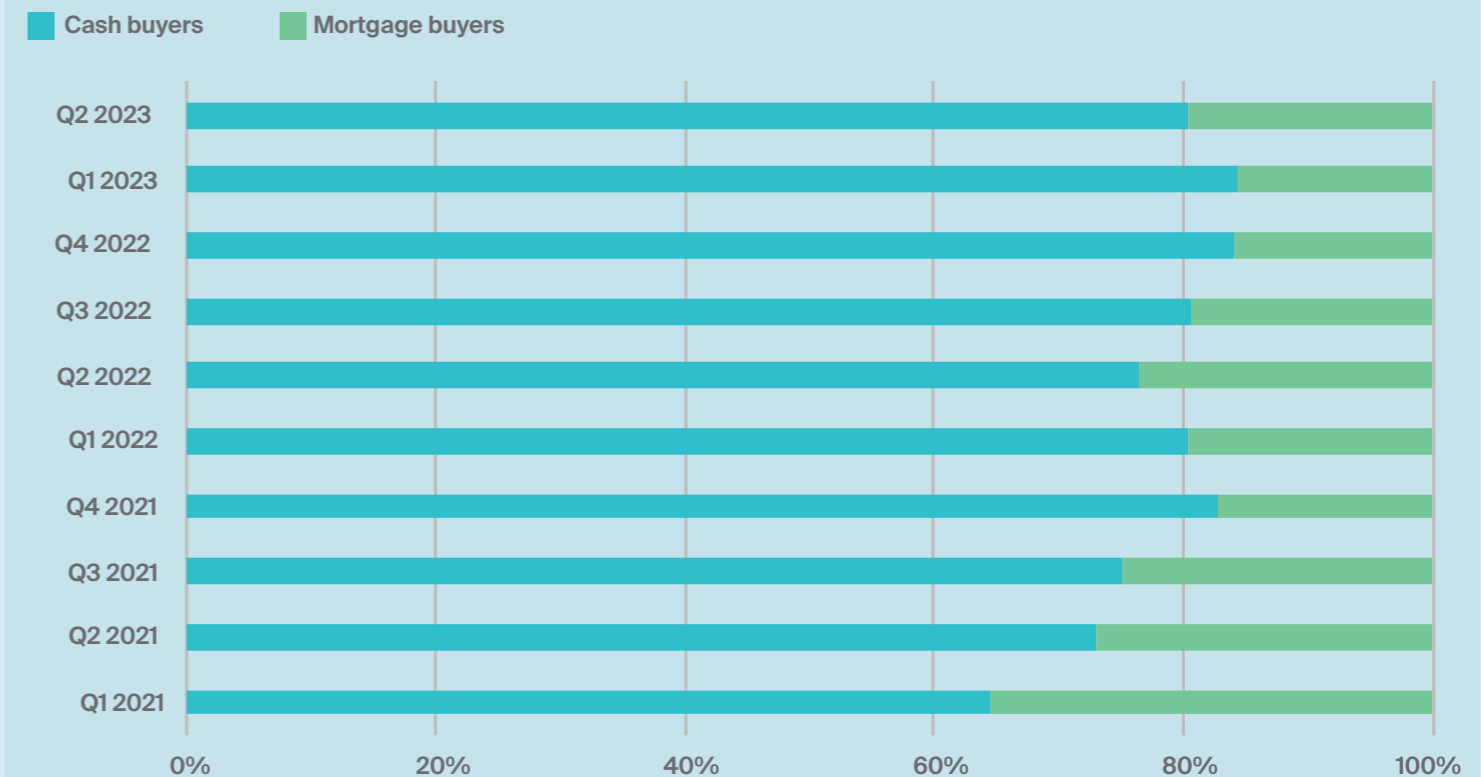
When it comes to financing high-value property in Dubai, banks have their internal lending limits. Regular mortgages typically go up to 35 million Dirhams, but there are private banking and commercial lending options which can go much higher, depending on the client's income and other assets. Residents and non-residents can secure finance from local and international banks that operate in the UAE. The loan to value and rates varies based on where they are normally resident.

Typically, non-UAE residents will need a down payment of 40-50%, resident expats can secure a mortgage with a 20%-30% down payment, and local Emiratis 15-25% depending on the property value or purchase price.

There are several ways to finance high-value property purchases here in Dubai real estate, by securing finance against the property itself based on personal income, leveraging overseas assets like Real Estate or stock portfolios, or taking debt against an operational business. These tend to be the most common. If buying high-value, tenanted rental properties, portfolios, or full buildings it's also possible to use the existing rental income to secure finance.

Bradley Rands
Partner, Head of Mortgage & Debt Advisory

Dubai residential transactions - cash vs. mortgage buyers



Source: Knight Frank, Property Monitor

Population and economic growth drive price increases

Dubai's headline-grabbing real estate market has been supercharged by positive sentiment, a key ingredient in the Middle East.

This positivity received a further boost with the announcement of D33, Dubai's Economic Agenda.

Aside from outlining a new roadmap for the emirate to double its foreign trade and emerge as the world's fourth most prominent financial centre behind New York, London, and Singapore by 2033, the population by this stage is also expected to approach six million, up from 3.5 million today – a critical consideration in our long term outlook.

The predicted growth in the city's inhabitants will warrant the need for a large-scale residential development boom.

Indeed, the city's current housing stock will virtually need to double if the population targets are to be met, which the government expects to swell to 7.8 million by 2040.

The pressure of the growing population is already evident in the real estate market, with residential values climbing over the last three and half years – while apartment prices still lag the 2014 peak by as much as 13.5%, villas now cost as much as they did nine years ago.

The key driver for this disparity is the global race for space and the dearth of villas across Dubai, particularly at the upper end of the market.



Dubai's non-oil sector PMI reading stood at 55.7 in July, marginally down on June (56.9), but remaining in expansionary territory for over two-and-a-half years (S&P Global). Businesses remain upbeat about the future and are continuing to recruit and grow, the impact of which is being felt in the office market, which is facing a Grade A supply crunch. Read more in our Dubai Office Market Review – Summer 2023.



Dubai's GDP grew by 2.8% in the 12-months to the end of Q1. While lower than the 4.4% recorded in the preceding 12-months, recent growth is coming off a higher base. Retail, trade, aviation, and hospitality all continue to dominate, the latter of which is demonstrated through the fact that the city's nearly 150,000 hotel rooms recorded an average occupancy of 78% during H1, the highest level in the world. And this was supported by 8.55 million tourist arrivals, a 20% rise on H1 2022, and the best first half on record.



The number of customers registered by the Dubai Electricity and Water Authority (DEWA) has grown by 5.5% in H1 when compared to the same period last year. While this covers all real estate sectors, it is yet a further indication of the growth in the emirate's population.

“The predicted growth in the city's inhabitants will warrant the need for a large-scale residential development boom.”



Rents keeping pace with capital values

Away from the sales market, rental growth remains virtually in lockstep with sales prices, meaning there has been no yield compression. Yields for single-let apartments (7.4%) remain just ahead of what can be achieved for villas (6.0%).

Average rents in the city currently stand at AED 92 psf, a rise of 3.7% from Q1 and 22.3% higher than last summer. Rents for villas in The Palm Jumeirah have increased by about 15% compared to Q2 2022 and by just over 110% overall since January 2020. Rents here currently stand at AED 151 psf.

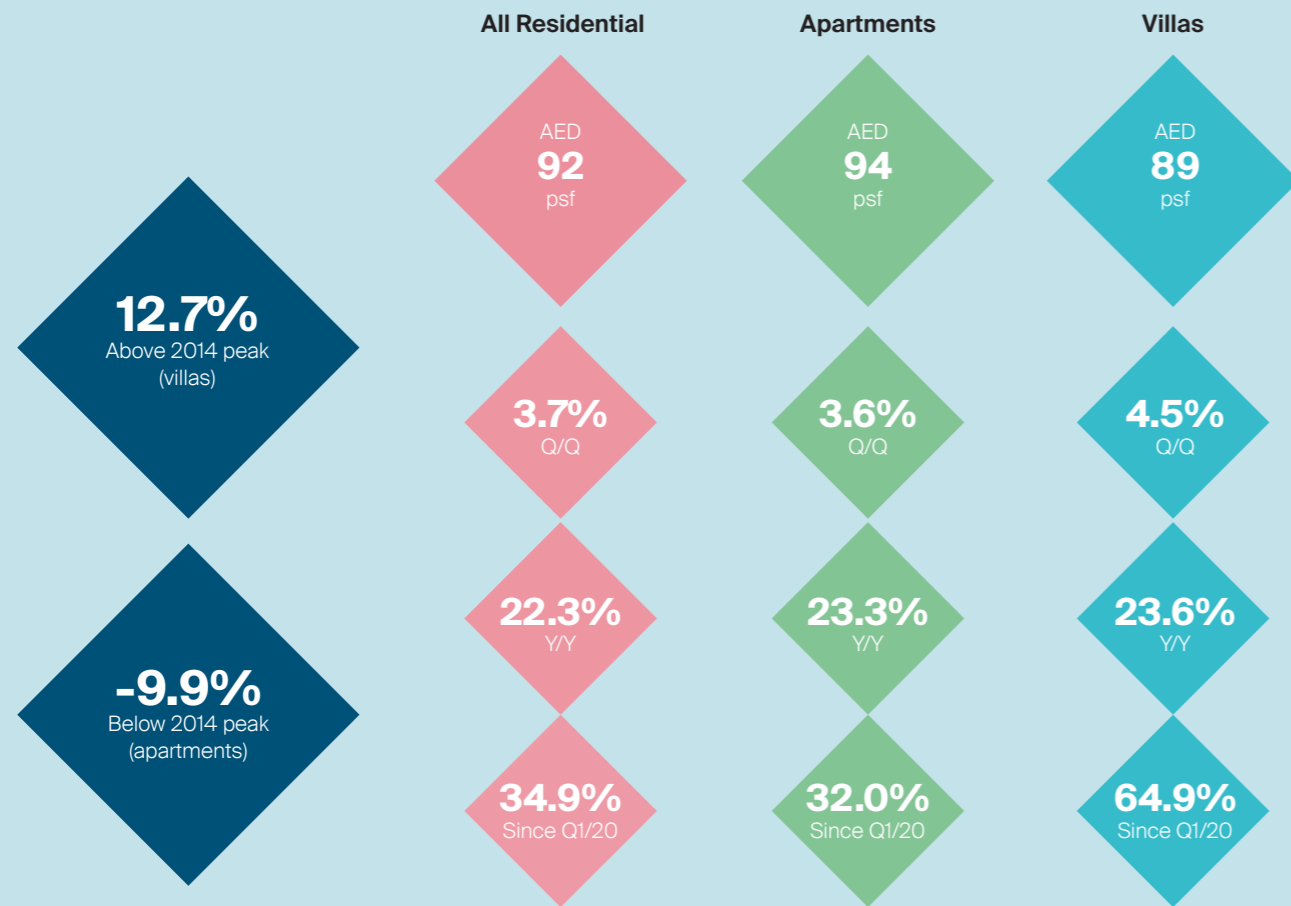
In the mainstream market, more affordable villa locations are also recording similarly high growth in lease rates. For instance, at The Springs (AED 83 psf) and Arabian

Ranches (AED 82 psf), average lease rates have climbed by nearly 31% and 17% in the last 12 months, respectively. In addition, apartment rents have also grown, rising by 23% since last year, and currently stand at AED 94 psf, representing an increase of 3.6% from Q1. Business Bay (28%) and The Palm Jumeirah (18%) lead the pack with the strongest rental growth since last summer.

Overall, apartment lease rates are now 32% above January 2020 levels but are still some 10% lower than the last market peak in 2014.

Villas, on the other hand, have seen average rental rates rise by close to 65% over the same period and are now almost 13% higher than the last peak in 2014.

LEASING MARKET GROWTH



Source: Knight Frank, REIDIN



EXPERT INSIGHT

Rental growth continues to closely mirror sales price trends, avoiding yield compression. Prime single-let apartment yields (6.25%-7.50%) remain slightly higher than villa yields, however, some beach-front neighbourhoods that attract holiday makers can achieve significant premiums.

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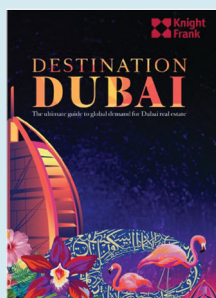
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