

# Q1-2021 REAL ESTATE MARKET OVERVIEW DUBAI



**MPM**  
المقارية Properties  
PART OF ADIB GROUP من مجموعة مصرف أبوظبي الإسلامي



## FOREWORD

**MPM Real Estate Services** comprises a comprehensive real estate and advisory platform providing the full range of professional services from a single provider. Our services include:-

- Strategic development advisory
- Asset management
- Project management
- Valuation
- Agency
- Market research
- Property management
- Facilities management

## REPORT HIGHLIGHTS

### Residential

- With the addition of over 8,700 residential units, the total residential stock of Dubai reached over 627,000 units by end Q1 2021. In terms of supply by unit type, apartments accounted for 83% of the total quarterly supply while villas/townhouses accounted for 17% share.
- As per the projects announced and under construction, approximately 31,000 new units (apartments/townhouse/villa) are expected to be completed during the next three quarters of 2021. However, as noticed over the past few years, a large proportion of this supply is likely to be pushed further to 2022.
- The transaction activity remained robust during the quarter with a substantial increase in transaction value and volume on quarterly and annual basis. The government initiatives on the economic and social front to a large extent boosted the investor confidence in the property market. Initiative such as the nationality law, stimulus package and vaccination drive have all paved way for building confidence in the market.
- The transaction value for residential properties (apartments, villas, townhouses, serviced/hotel apartments, villa plots) recorded at AED 15.05 billion compared to AED 13.04 billion in Q4 2020, an increase by 15% quarter-on-quarter.
- During the quarter, the capital values for the residential apartments dropped marginally by less than 1% quarter-on-quarter and 4.9% year-on-year while the villa/townhouses within selected development increased by 6.5% quarter-on-quarter and 2.7% year-on-year.
- The average apartment rents dropped marginally by 1.5% quarter-on-quarter and 11% year-on-year while villa/townhouse rents inflated by an average of 3.4% quarter-on-quarter and a marginal annual decline.

### Office

- The office stock of Dubai remained unchanged during the quarter, with the total office stock figure stands at 103.6 million sq.ft. Projects that are nearing completion/completed are held back by the owners, as demand for new office space wanes due to the pandemic.

- Compared to last year, the strata office transactions segment remained active with an increase in transaction value and volume terms on a quarterly and annual basis. The cumulative transaction value increased from AED 384.2 million in Q4 2020 to AED 421.6 million in Q1 2021, an increase of 9.7% quarter-on-quarter.
- Average strata office sale rates saw marginally deflation of 1% quarter-on-quarter and 3% year-on-year. The decline gap has narrowed down over the past 12 months as rates are bottoming out. The sale rates in Barsha Heights dropped by 2% quarter-on-quarter and are averaging at less than AED 750 per sq.ft.
- During the quarter, the average office rents saw marginal decline of 1% quarter-on-quarter and 9% year-on-year. Despite landlord incentives, the rents are likely to weaken further during the course of the year due to relatively stressed demand for office space.
- Over 4.0 million sq.ft. of new office space is likely to be added to the existing stock during the period Q2 2021 to 2023, provided construction delays remain minimal.

### Retail

- Since the start of the pandemic, the market has witnessed a controlled retail supply as developers are delaying the opening dates further, as malls continue to struggle in achieving healthy footfalls and occupancy levels. Less than 200,000 sq.ft. GLA of new retail space was added in Q1 2021, taking the total retail stock of Dubai to 41.6 million sq.ft. GLA.
- The retail sector which remained hard hit due to the pandemic, continues to experience pressure on the footfalls and in-store sales volume. However, implementation of online sales channels has to a large extent abetted in lowering the impact.
- As per the timelines announced by the developers, over 15 million sq.ft. GLA of new retail space is expected to enter during the period 2021 – 2023. However, based on the historic trends and the pandemic situation, a delay of 6-12 months is expected with a large proportion of this supply being pushed to 2024.



## FACTS & FIGURES



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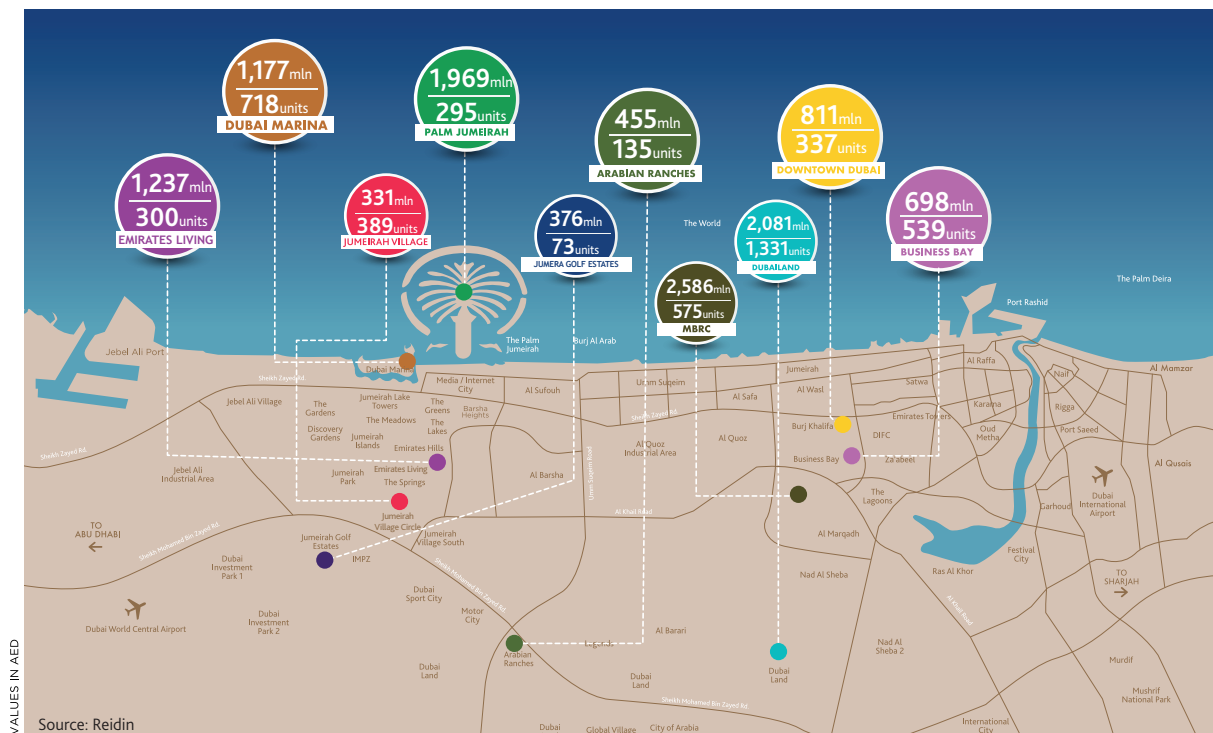


# REAL ESTATE TRENDS

## DUBAI LAND TRANSACTION



## TOP RESIDENTIAL INVESTMENT LOCATIONS - Q1 2021

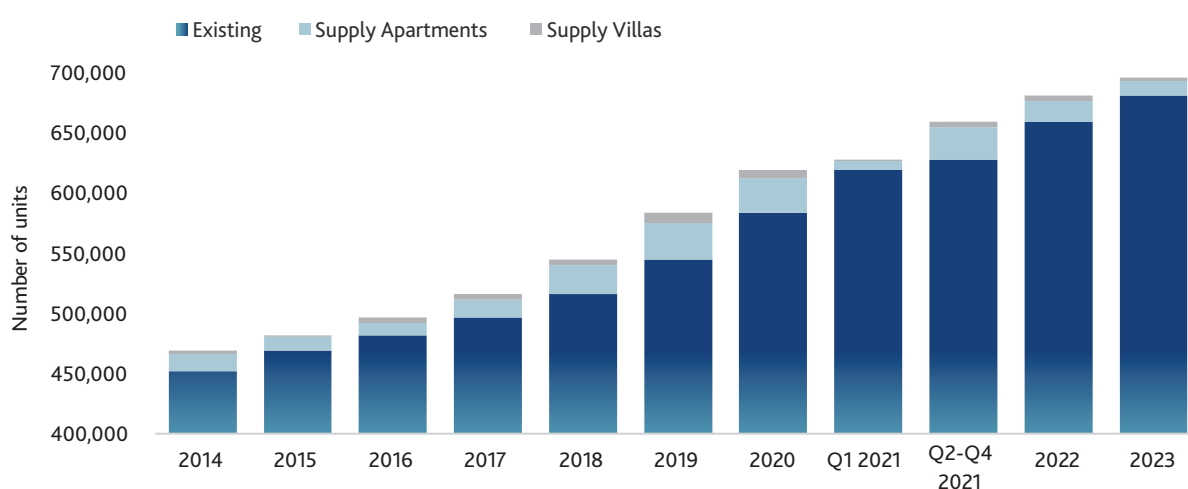


# RESIDENTIAL MARKET

## SUPPLY

- With the addition of over 8,700 residential units, the total residential stock of Dubai reached over 627,000 units by end Q1 2021. In terms of supply by unit type, apartments accounted for 83% of the total quarterly supply while villas/townhouses accounted for 17% share.
- The new supply during the quarter mainly emerged from Dubailand area accounting for a share of 24%. Over 2,000 new units emerged from the neighbourhoods of Townsquare, Villanova, Mudon, Arjan and Akoya Oxygen that form part of the wider Dubailand development.
- Other developments with active supply include Meydan/Mohammed bin Rashid City and Jumeirah Village Circle/Jumeirah Village Triangle accounting for a 9.4% share each while Al Jadaf/Dubai Health Care City/Culture Village and Al Barsha/Barsha Heights a share of 8% each. Business Bay and Downtown Dubai areas together accounted for 7% share of the Q1 2021 supply.
- As per the projects announced and under construction, approximately 31,000 new units (apartments/townhouse/villa) are expected to be completed during the next three quarters of 2021. However, as noticed over the past few years, a large proportion of this supply is likely to be pushed further to 2022.

## RESIDENTIAL SUPPLY BY UNITS - (2014 - 2023)



## SALE RATES

- The transaction activity remained robust during the quarter with a substantial increase in transaction value and volume on quarterly and annual basis. The government initiatives on the economic and social front to a large extent boosted the investor confidence in the property market. Initiative such as the nationality law, stimulus package and vaccination drive have all paved way for building confidence in the market.
- The transaction value for residential properties (apartments, villas, townhouses, serviced/hotel apartments, villa plots) recorded at AED 15.05 billion compared to AED 13.04 billion in Q4 2020, an increase by 15% quarter-on-quarter.
- In terms of transaction value by location, Mohammed bin Rashid City (MBRC)/ Meydan recorded transactions worth AED 2.59 billion (18% of the total transaction value) followed by Dubailand development accounting for a share of 14.4% (AED 2.08 billion) and Palm Jumeirah with a value of AED 1.96 billion (13.6%). Other active developments include Emirates Living AED 1.24

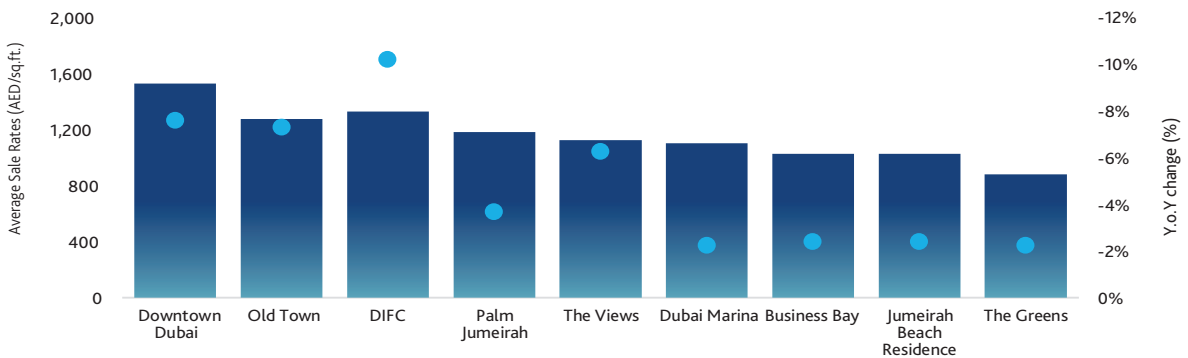


billion, Dubai Marina/Jumeirah Beach Residence AED 1.18 billion and Downtown Dubai AED 0.81 billion.

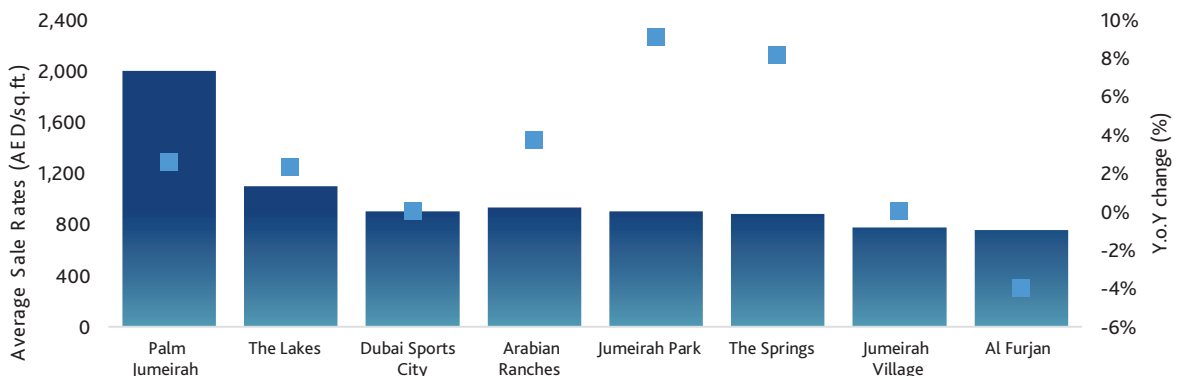
- The villa/townhouse segment continue to dominate the quarterly residential transactions, with a cumulative value of AED 9.54 billion, (a share of 63%) while apartments/hotel/service apartments saw transactions worth AED 5.55 billion. Within villa/townhouse segment, the highest transacted villa property was a Signature villa on Palm Jumeirah valued at AED 111.25 million followed by AED 68.3 million villa in Emirates Hills. However, in terms of transaction volume about 56% of the transactions were for properties valued at AED 3.0 million or below, which clearly indicates the investor/occupier preferences.
- The off-plan segment also witnessed strong transactions with the total value of transactions increasing from AED 5.28 billion in Q4 2020 to AED 5.9 billion in Q1 2021, representing an increase of 12% quarter-on-quarter.

- During the quarter, the capital values for the residential apartments dropped marginally by less than 1% quarter-on-quarter and 4.9% year-on-year. The rate of decline over the past six months has slowed down due to improved market sentiments and a rise in appetite for larger units of three bedroom and above across prime developments.
- The villa/townhouse segment saw capital values across selected developments rising by 6.5% quarter-on-quarter and 2.7% year-on-year. However, the rate of increase varies by development, with several developments recording more than the average increase. A two-bedroom townhouse in the Springs development are currently valued at AED 1.6 million compared to AED 1.45 million in Q4 2020, an increase by 10% quarter-on-quarter.
- Reduced LTV ratios, attractive finance rates, better job security than in 2020 and relative increase in family savings over the past few months have all contributed towards rise in demand and price appreciation in the villa segment.

### AVERAGE APARTMENT SALE RATES - Q1 2021



### AVERAGE VILLA SALE RATES - Q1 2021



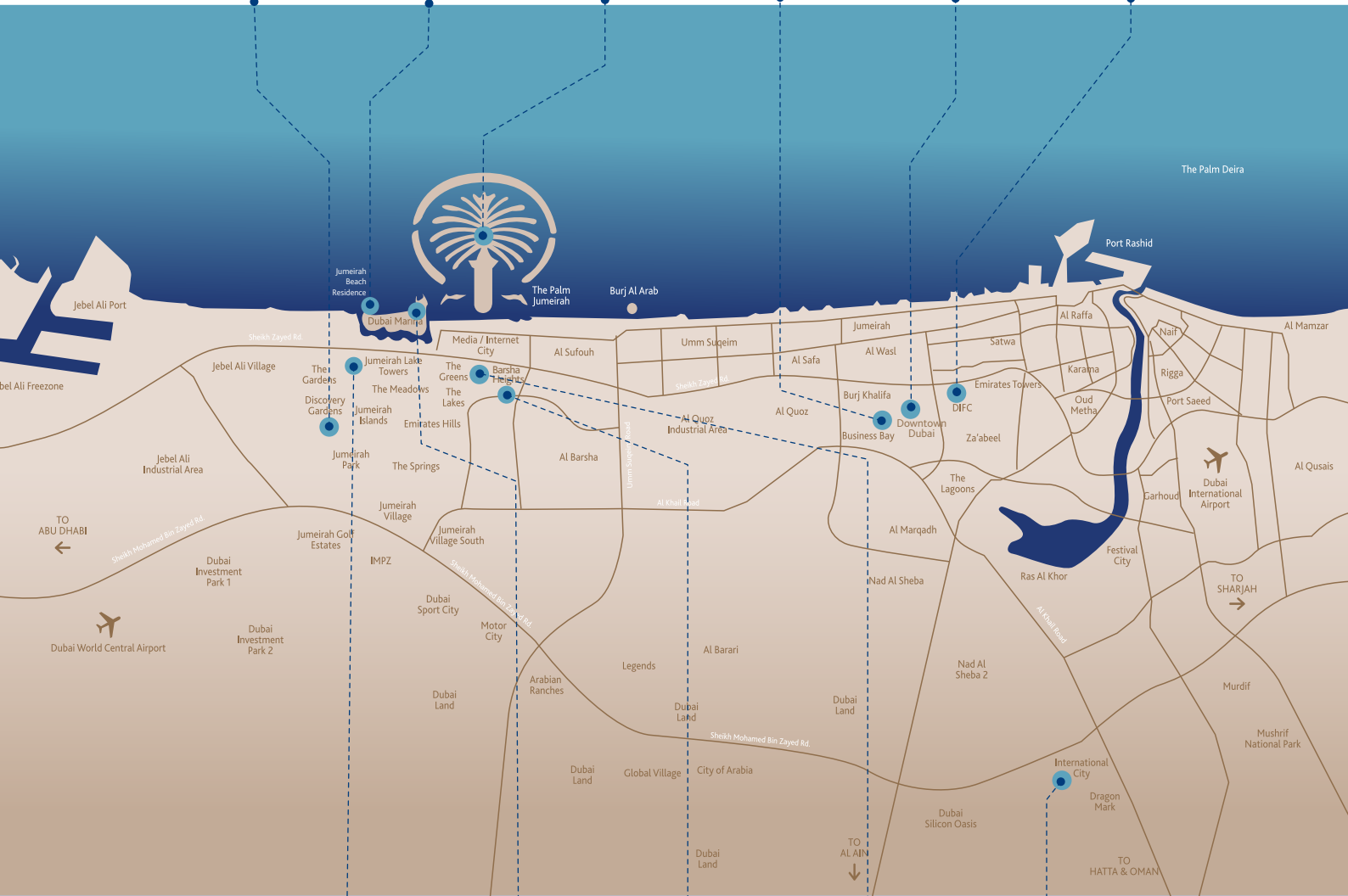
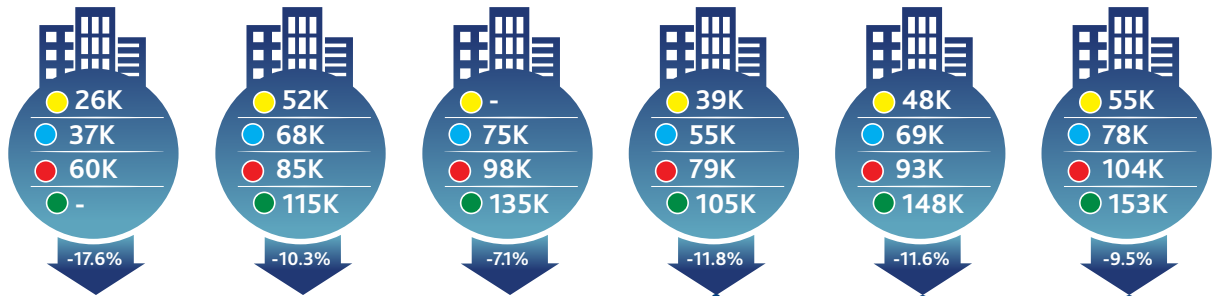
## RENTAL RATES

- During the quarter, residential rents for apartments remained under pressure as new supply and tenant migration to larger habitable space continue to impact on the demand for apartments. However, compared to the previous quarters, the rental gap has declined as larger three-bedroom units saw renewed tenant demand and rental appreciation.
- Average apartment rents dropped marginally by 1.5% quarter-on-quarter and 11% year-on-year. As a large proportion of the existing and new stock comprises of smaller unit sizes of studios and one bedroom, the rental decline in this segment remained steep.
- The rents for smaller units are likely to remain under stress in the short term as supply is surpassing demand. Within the selected locations, studios and one-bedroom units saw annual rents dropping by 13% each while the two- and three-bedroom units recorded a rent decline of 10.5% and 8% respectively.
- Within the freehold segment, developments with a decade old presence in the market are experiencing a relatively higher percentage rental decline than the newer developments. Competitive rents along with better facilities and amenities is leading to tenant migration towards these new developments. The highest annual decline was recorded in Discovery Gardens, a drop of 17.6% while rents in the Greens dropped by 15% year-on-year. The developments of Dubai Production City and Dubai Sports City recorded a decline of 14.4% each.
- Over the past six months, the rental decline for three-bedroom units has softened due to demand for larger and more open spaces. This has resulted in rental inflation in few developments with Jumeirah Beach Residences recording 4.5% quarterly increase for three-bedroom units while Palm Jumeirah and Business Bay recording an average quarterly rise of 3.8% and 3.45% respectively.
- The villa/townhouse segment continue to record an upward rental and occupancy momentum. Strong occupier demand for more habitable space arising due to the pandemic has seen a sharp increase in leasing transactions for villas/townhouses. On a quarterly basis, villa/townhouse rents inflated by an average of 3.4% and a marginal annual decline.
- However, several villa communities have recorded more than average quarterly rental increase. A four-bedroom villa in the Meadows saw rents increasing from an average of AED 190,000 per unit per annum in Q4 2020 to AED 205,000 per unit per annum in Q1 2021, an increase of 7.9% quarter-on-quarter. The villa/townhouse rents are likely to inflate further during the course of the year, as the demand for more livable space continue to be remain strong due to the pandemic.



# AVERAGE APARTMENT ANNUAL RENTS – Q1 2021

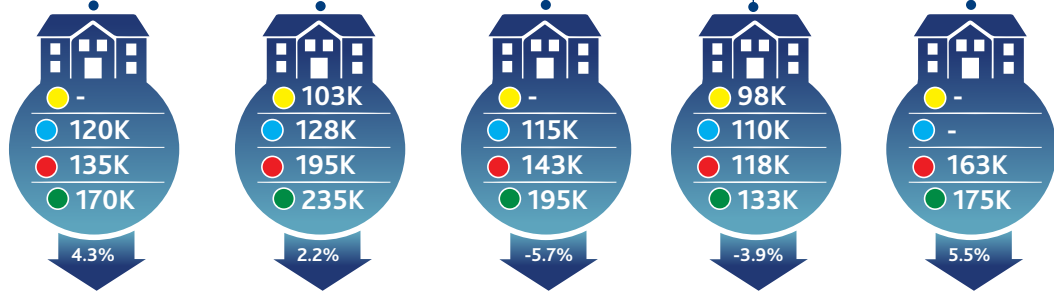
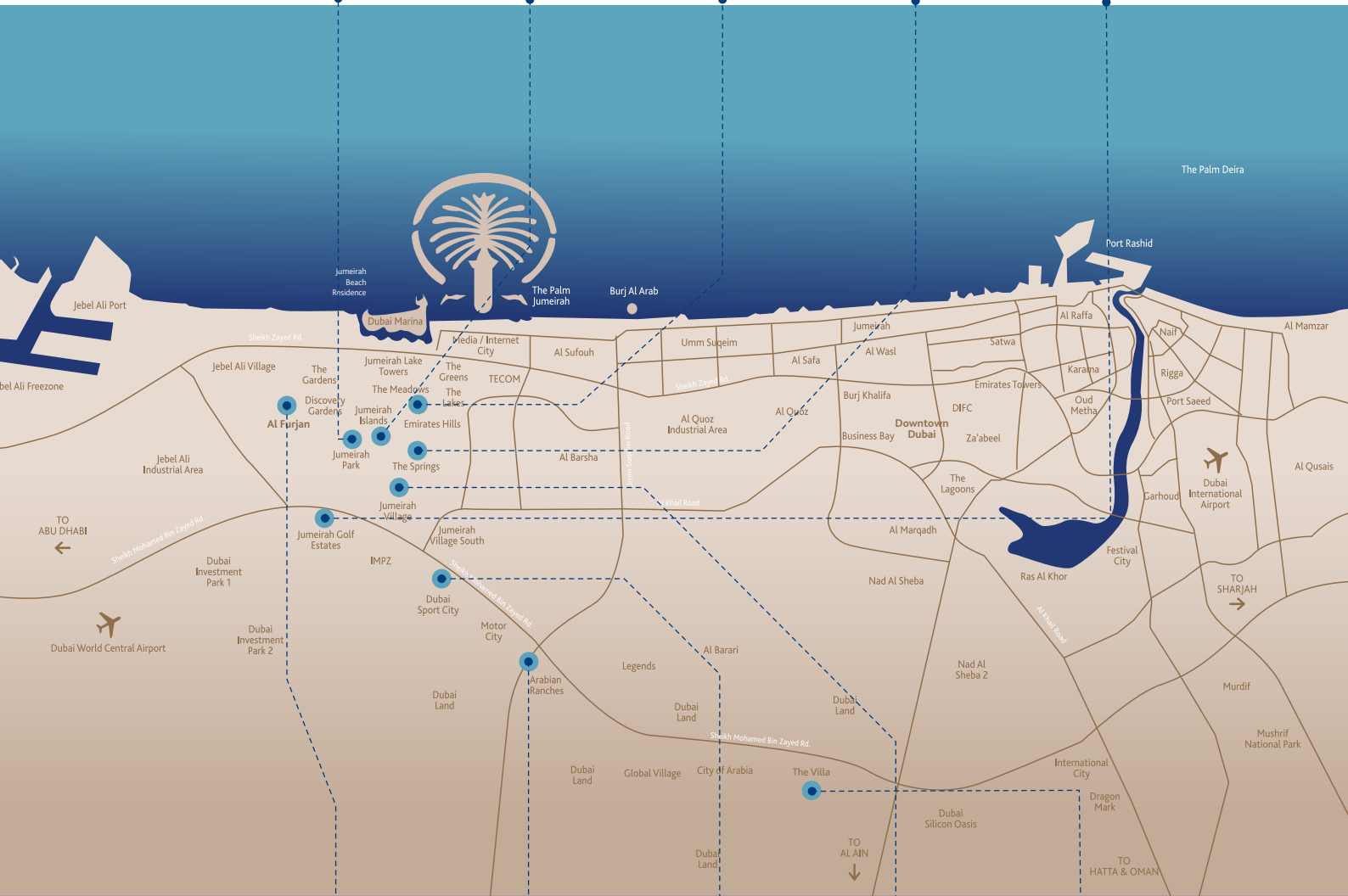
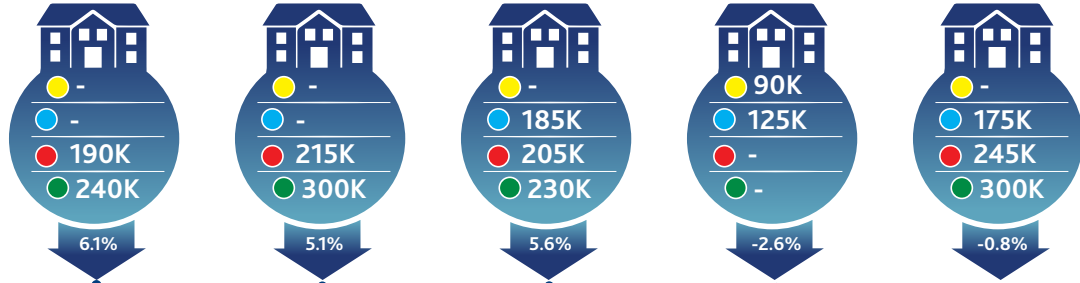
- Studio
- 1 Bedroom
- 2 Bedroom
- 3 Bedroom
- ▼ Y.o.Y % Change





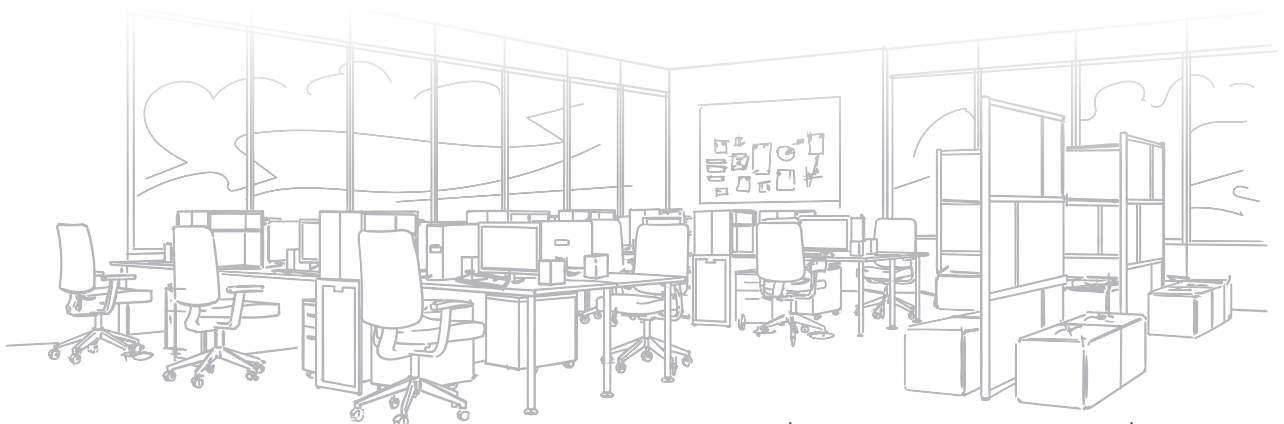
# AVERAGE VILLA ANNUAL RENTS – Q1 2021

- 2 Bedroom
- 3 Bedroom
- 4 Bedroom
- 5 Bedroom
- ▼ Y.o.Y % Change

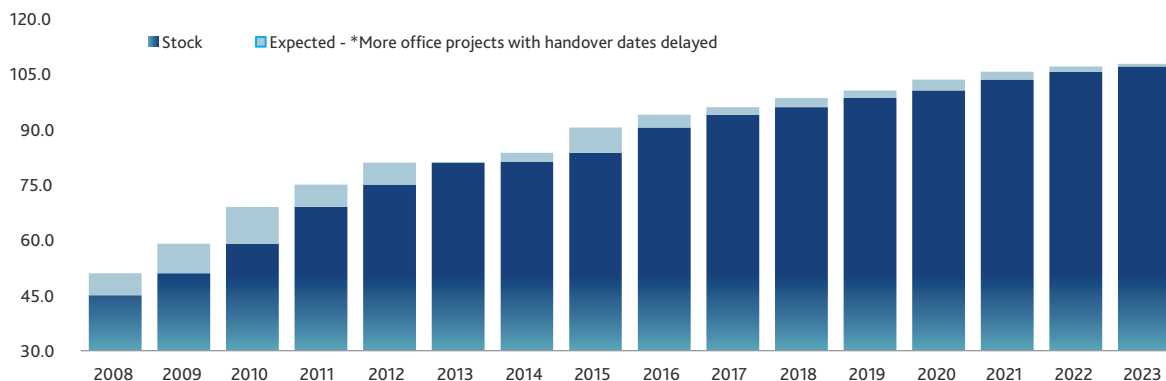


## OFFICE MARKET

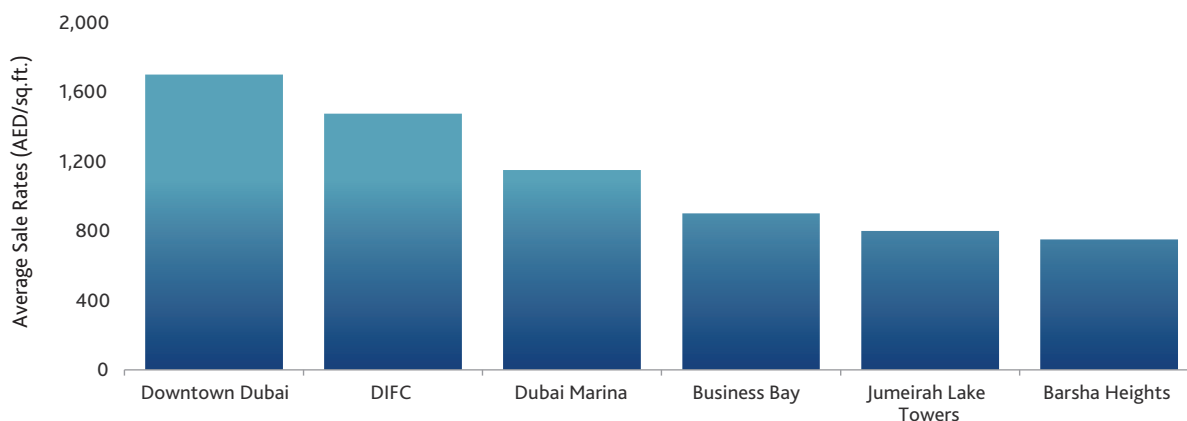
- With no new addition, the office stock of Dubai remained unchanged during the quarter and the total office stock currently stands at 103.6 million sq.ft. Projects that are nearing completion/completed are held back by the owners, as demand for new office space wanes due to the pandemic.
- The strata office transaction activity remained on an upward trend in value and volume terms on a quarterly and annual basis. The cumulative transaction value increased from AED 384.2 million in Q4 2020 to AED 421.6 million in Q1 2021, an increase of 9.7% quarter-on-quarter. A total of 548,000 sq.ft. of office space transacted during Q1 2021, calculating to a value of AED 769 per sq.ft.
- During the quarter, over 70% of the transactions were registered in the Jumeirah Lakes Towers and Business Bay developments. The Jumeirah Lakes Towers area saw transaction of 231,000 sq.ft. of office space with a cumulative value of AED 167 million, calculating to an average sale rate of AED 723 per sq.ft. Business Bay area saw AED 143.81 million worth of transactions across 193,600 sq.ft. of office area, calculating to an average rate of AED 743 per sq.ft.
- Other office developments, Downtown Dubai saw transactions worth AED 34.1 million across 19,000 sq.ft space, calculating a value of AED 1,800 per sq.ft. while in Dubai Marina approximately 14,500 sq.ft. of space was transacted at a cumulative value of AED 23.4 million, a rate of AED 1,600 per sq.ft.
- Average strata office sale rates saw marginally deflation of 1% quarter-on-quarter and 3% year-on-year. The decline gap has narrowed down over the past 12 months as rates are bottoming out. The sale rates in Barsha Heights dropped by 2% quarter-on-quarter and are averaging at less than AED 750 per sq.ft.
- Jumeirah Lakes Towers development which accounts for approximately 10% of the total office space of Dubai saw rates dropping by 5% year-on-year. From the peak, the sale rates have decline by 37%. Depending on the size, tower and view, the rates currently range from as low as AED 475 to AED 1,125 per sq.ft. while in Business Bay, the rates range from AED 600 to 1,150 per sq.ft.
- With several companies continue to adopt remote working option, the demand for new space remain largely negligible. However, the demand for smaller office space is likely to improve during the second half of the year mainly from the SME's, as Dubai gears up for the Expo 2020 event.
- During the quarter, the average office rents saw marginal decline of 1% quarter-on-quarter and 9% year-on-year. Despite landlord incentives, the rents are likely to weaken further during the course of the year due to relatively stressed demand for office space.
- Over 4.0 million sq.ft. of new office space is likely to be added to the existing stock during the period Q2 2021 to 2023, provided construction delays remain minimal. With no new supply being added in Q1 2021, the supply figures for the rest of the year stands at 1.1 million sq.ft. Few of the projects expected to be completed during the year include phase 1 of Dubai Commercity and the Visa card HQ building in Tecom



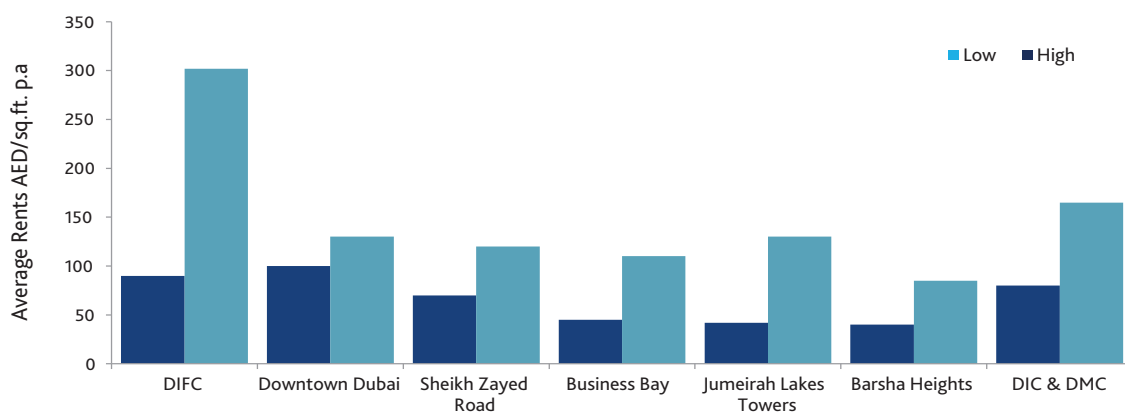
## DUBAI OFFICE STOCK GROWTH (2008-2023)



## AVERAGE OFFICE SALE RATES - Q1 2021



## AVERAGE OFFICE RENTS - Q1 2021

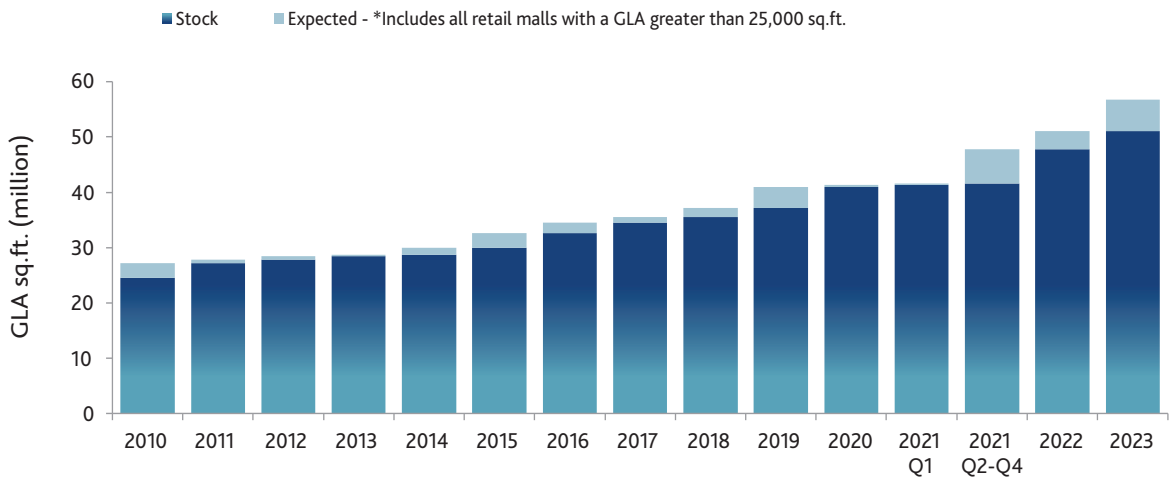


# RETAIL

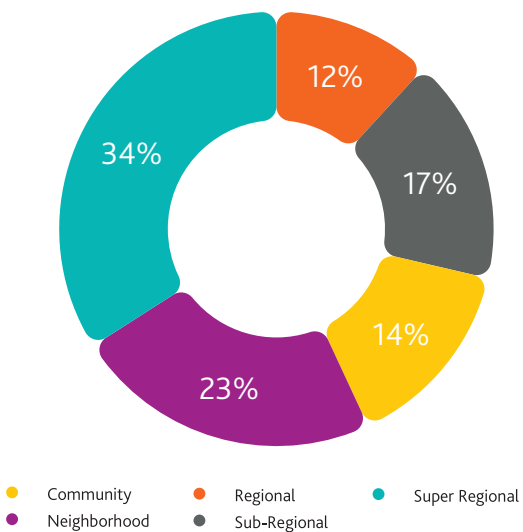
- Since the start of the pandemic, the market has witnessed a controlled retail supply as developers are delaying the opening dates further, as malls continue to struggle in achieving healthy footfalls and occupancy levels. Less than 200,000 sq.ft. GLA of new retail space was added in Q1 2021, taking the total retail stock of Dubai to 41.6 million sq.ft. GLA.
- The retail sector which remained hard hit due to the pandemic, continues to experience pressure on the footfalls and in-store sales volume. However, implementation of online sales channels has to a large extent abetted in lowering the impact.
- The retail mall-based sales are expected to receive a boost during the course of year with the festive period plus the vaccination drive and Expo 2020 event could further build confidence among the residents and attract tourists.
- As per the timelines announced by the developers, over 15 million sq.ft. GLA of new retail space is expected to enter during the period 2021 – 2023. However, based on the historic trends and the pandemic situation, a delay of 6-12 months is expected with a large proportion of this supply being pushed to 2024.
- Approximately 6.0 million sq.ft. GLA of retail space is scheduled for completion in 2021, including delayed supply of 2020. Looking at the current construction status and struggling retail sector, a partial opening of the malls is expected with a focus on the opening of supermarket and other convenience stores, which continue to attract healthy footfalls and sales



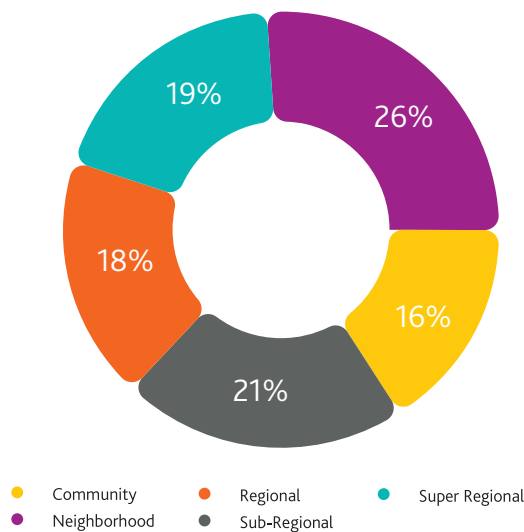
## DUBAI RETAIL MALL STOCK (2010-2023)



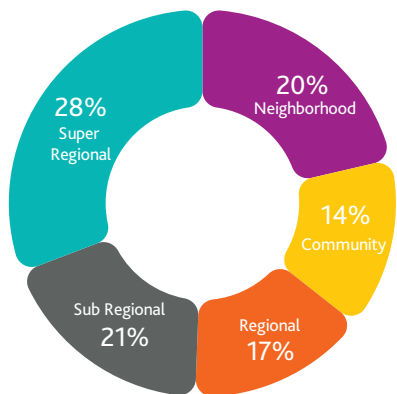
### RETAIL SUPPLY PRE 2010



### NEW SUPPLY DELIVERED - (2010 - Q1 2021)

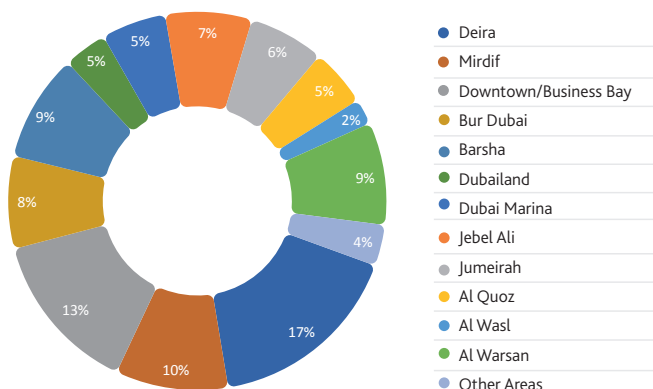


### DUBAI RETAIL MALLS BY SIZE END Q1 2021

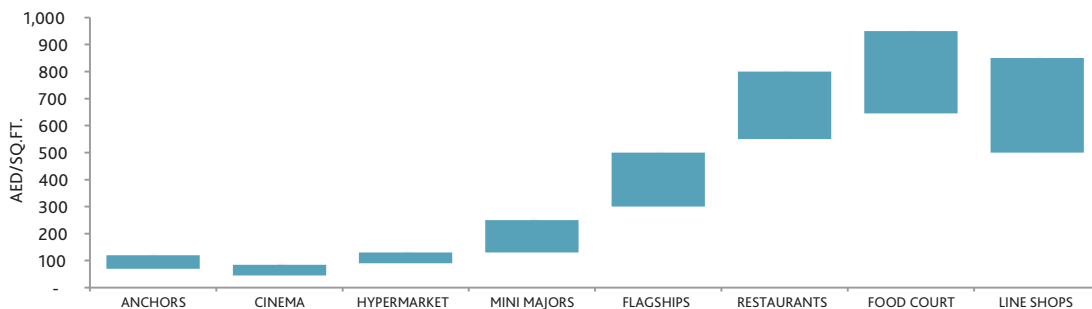


Super Regional:	2m sq ft+	Sub-Regional:	500-1m sq ft
Regional:	1m-2msq ft.	Community:	200-500,000 sq ft
		Neighborhood:	0-200,000 sq ft

### DUBAI RETAIL MALLS GLA BY AREA END Q1 2021



### PRIME SHOPPING MALL AVERAGE RENTS Q1 2021



The rents quoted above are base rents excluding any turnover provisions and service charges





## DEFINITIONS & METHODOLOGY

### Research Study Area

- The geographic extent of the study area covers the key districts in Dubai.
- Given the general lack of transparency in the local market rents quoted are headline rents, thus exclude any rent free period of other financial incentives that may have been negotiated between the parties. The rents quoted are also exclusive of service charges.

### Residential

- New residential developments are classified as delivered and thus entered into the new supply category when they are made available for occupation. This is verified via a combination of site inspections and discussion with the developer and hence our supply numbers do take into consideration the phased release of large projects.
- Rental and sales trend analysis is based on transactional data derived from the MPM Properties Agency team and data sourced from developers and owners.

### Retail

- New retail developments are classified as delivered and thus entered into the new supply category when the first units are open and trading.
- Our classification of malls is based on our own assessment having regard to size and the catchment area which the mall typically penetrates.

### Offices

- New office developments are classified as delivered and thus entered into the new supply category when they are available for tenant fit-outs.

### Future Supply Projections

- Our future supply projections across all sectors are based on a combination of regular site inspections and discussions with developers.



## BESPOKE CLIENT RESEARCH

- The ADIB Real Estate Services team covers all sectors of the real estate market. We provide bespoke market research to our valued clients to meet their specific requirements.
- We provide reports, information and presentations derived from primary market data that directly assist our clients to save or make money from real estate and shape strategies to enhance value.
- Regular site inspections and discussions with developer.



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change without notice. Figures contained in this report are derived from a basket of locations highlighted in this report and therefore represent a snapshot of the Dubai market. Due care and attention has been used in the preparation of forecast information. However, actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts, by their very nature, involve risk and uncertainty because they relate to future events and circumstances which are beyond MPM Properties' control. For a full in-depth study of the market, please contact MPM Properties team.

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## INTEGRATED SERVICES COVERING THE FULL PROPERTY LIFECYCLE

Property Management	Valuation	Project Management and ESCROW
<p>Enhancing value for individual &amp; institutional property owners:</p> <ul style="list-style-type: none"> <li>■ Prompt leasing &amp; debt collection</li> <li>■ Effectively market &amp; lease vacant units</li> <li>■ Physical &amp; technical maintenance of asset</li> <li>■ Maintain tenant satisfaction</li> <li>■ Timely lease renewals</li> <li>■ Manage risk, insurance &amp; litigation</li> <li>■ Protect your interests and enhance value</li> </ul>	<p>Valuation reports for:</p> <ul style="list-style-type: none"> <li>■ Mortgage &amp; Finance</li> <li>■ Securing Project Funding</li> <li>■ Internal Accounting</li> <li>■ Mergers &amp; Acquisitions</li> <li>■ Investment appraisal</li> <li>■ Litigation</li> <li>■ Inheritance</li> </ul> <p>We cover all asset classes. Our reports are in compliance with the International Valuation Standards (IVS) and the RICS Professional Valuation Standards.</p>	<p>Complete Project Management services at planning &amp; construction stage:</p> <ul style="list-style-type: none"> <li>■ Engineering Review &amp; Scheduling</li> <li>■ Cost Estimate &amp; Procurement</li> <li>■ Project Monitoring</li> <li>■ Cost Control &amp; Accounting</li> <li>■ Assist with Permits &amp; Licensing</li> <li>■ Ensure appropriate fund movement for Escrow based on Project Assessment</li> </ul>

Agency (Sales & Leasing)	Research & Strategic Advisory
<p>We work with developers, commercial tenants, retailers and individuals, offering:</p> <ul style="list-style-type: none"> <li>■ Launch Strategy</li> <li>■ Project Launch Handling</li> <li>■ Project Marketing Events</li> <li>■ Acquisitions</li> <li>■ Leasing</li> <li>■ Sales</li> </ul> <p>We cover all sectors, including residential, commercial, industrial, retail, and land.</p>	<p>Bankable studies for your real estate and business needs:</p> <ul style="list-style-type: none"> <li>■ Highest &amp; Best Use</li> <li>■ Market &amp; Financial Feasibility</li> <li>■ Development Strategy</li> <li>■ Market Research</li> <li>■ Corporate Real Estate Strategy</li> <li>■ Master-plan and design review</li> </ul>



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