

Real Estate Market Overview



MPM
Properties المقارية
ملا مجموعة مصرف أبوظبي الإسلامي PART OF ADIB GROUP

Abu Dhabi
Q4 2023

MPM Advantage

WE MANAGE THE LARGEST ABU DHABI MAINLAND PROPERTY PORTFOLIO

200B

Value Of Assets Under Management (AED)

170B

Value of investment Assets Advisory (AED)

100B

Commercial and Residential Valuation carried out (AED)

75B

Value of Strategic Consultancy & Development Advisory (AED)

Above **96%**

Our Portfolio Occupancy Rates

12M

Total Area Under Management (SQFT)

Over **300,000**

Total Lease Transactions

4 Offices

Regional Presence

KEY MARKET TAKEAWAYS FOR 2023



RESIDENTIAL

Supply: In 2023, more than 7,800 residential units were delivered, contributing to a total existing stock of 302,500 unit

Transactions: In 2023, apartment sales transactions reached 6,775, while villa transactions totaled 4,126, capturing nearly half of the market in terms of sales volume.

Performance: In a year-on-year comparison, Apartment and Villa markets thrive with 2.6% and 4% average sales growth, while average rental rates soar at 3% and 6%, respectively.



OFFICE

Supply: In 2023, around 50,000 sqm of office space was added to a total of 4.15M sqm GLA office market share in Abu Dhabi.

Transactions: During the last year, total office sales transactions valued more than AED 136 million in the capital Emirate.

Performance: In prominent area of Abu Dhabi, office rental rates saw an average 3% increase, while sales prices experienced a marginal annual uptick of 2% in selected buildings.



RETAIL

Supply: Last year was induced by an additional 170,000 sqm of retail GLA amounted to a total 3.16 million sqm of retail space.

Trends: The market sentiment transitioned from an organized format to a lifestyle hybrid project.

Despite worldwide economic uncertainties, the UAE's secure reputation attracted investors in the past 2 year. However, persistent inflation worries may affect consumer sentiment, further impacting the gradual rise in pricing and rental trends into 2024, albeit at a slower pace.

Positive areas to watch out

- ✓ Reem Island
- ✓ Saadiyat Island
- ✓ Yas Island
- ✓ Al Bateen

Real Estate Market Overview

Outlook

The trends in the Abu Dhabi residential real estate market include relative stability in property prices, driven in part by a limited number of new homes under construction. Additionally, the strategic development of international investment zones, particularly in areas like Yas Island, Saadiyat Island, Reem Island, Jubail Island and Al Maryah Island, contributes significantly to the overall residential market landscape.

The residential real estate market in Abu Dhabi can be summarized as a dynamic and influential component of the emirate's overall economic landscape. Several key factors shape the market's dynamics, including property values, housing trends, government policies, and urban development initiatives.

Several long-term plans complement the key objectives of the Abu Dhabi strategy. The Abu Dhabi Transportation Mobility Management Strategy, set to be fully implemented by 2030, aims to promote sustainable modes of transport.

In 2023, the Abu Dhabi Real Estate Centre (ADREC) was launched to enhance efficiency, transparency, and oversight in the real estate sector. ADREC will oversee development projects, collaborate with developers, and actively attract investment.

In past two years the UAE has implemented many initiatives which directly boost the real estate markets such as new residency visa schemes, labor law amendments, and 100% foreign ownership in specific sectors, are expected to contribute to economic growth in Abu Dhabi.

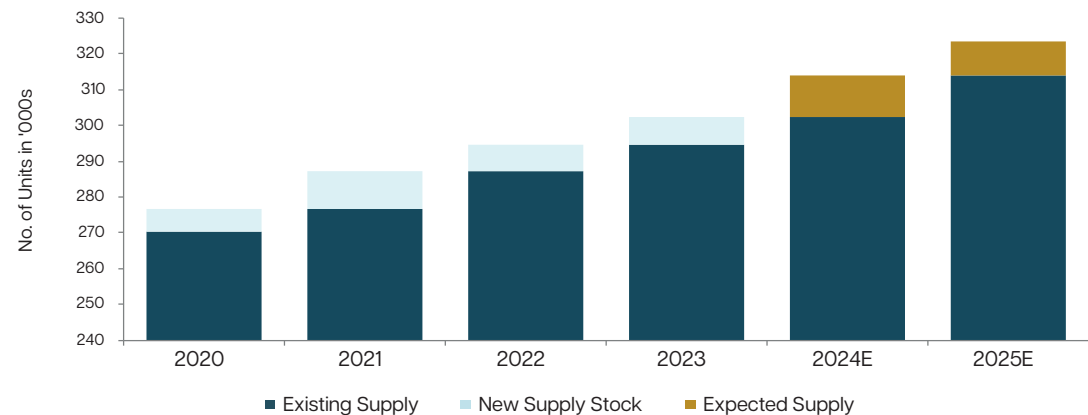
Supply

In 2023, MPM research witnessed an increase of just 7,800 residential units, amounting to the Emirate's total residential inventory to an approximate 302,500 units. Our research suggests that most of the newly added supply in 2023 was concentrated in well-established international investment zones, notably in key areas like Shams Abu Dhabi, Najmat Abu Dhabi, and Al Maryah Island.

MPM's data reveals that the handover of new residential units reflects a prominent pattern favoring investment areas, comprising an impressive 80% of the overall supply. In contrast, on-island areas accounted for 16% of the recently introduced residential inventory, with the remaining portion originating from the mainland. In the investment zones, Al Raha Beach, Reem Island, and Saadiyat Island collectively accounted for more than 65% of the total residential unit additions within these areas throughout the year.

According to Q4 2023 MPM research, projections indicate a limited construction of new homes in the next two years, expected to add another 21,100 units into residential supply by 2025. Significant share is expected on areas such as Yas Island, Saadiyat Island, and Reem Island, not taking into consideration of any potentially deferred inventory to subsequent years.

Abu Dhabi Residential Supply 2020 - 2025



Residential Market Overview

Apartment Sale and Mortgage Transactions

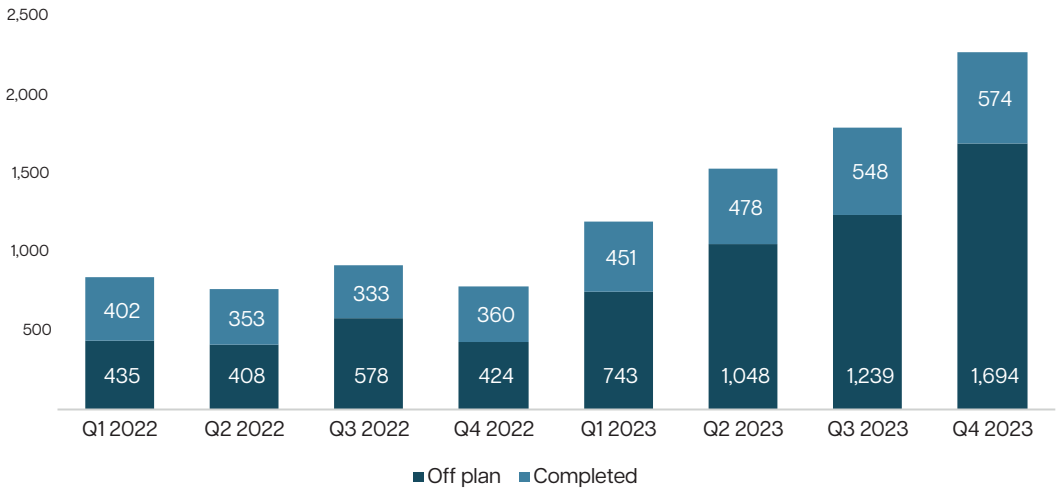
As per the data from DARI (the new Real Estate Digital Ecosystem introduced by The Department of Municipalities and Transport in partnership with private sectors), Abu Dhabi witnessed a total of approximately 6,775 apartment sales transactions in the year 2023, amounting to a collective value of AED 10.4 billion, inclusive of both off-plan and ready developments.

There has been a 51% rise in the total number of transactions across the Emirate, while the overall value was increased by 54% in comparison to the year 2022. This trend signifies a heightened demand for apartments over the preceding year. Looking ahead, we anticipate this trend to persist through 2024.

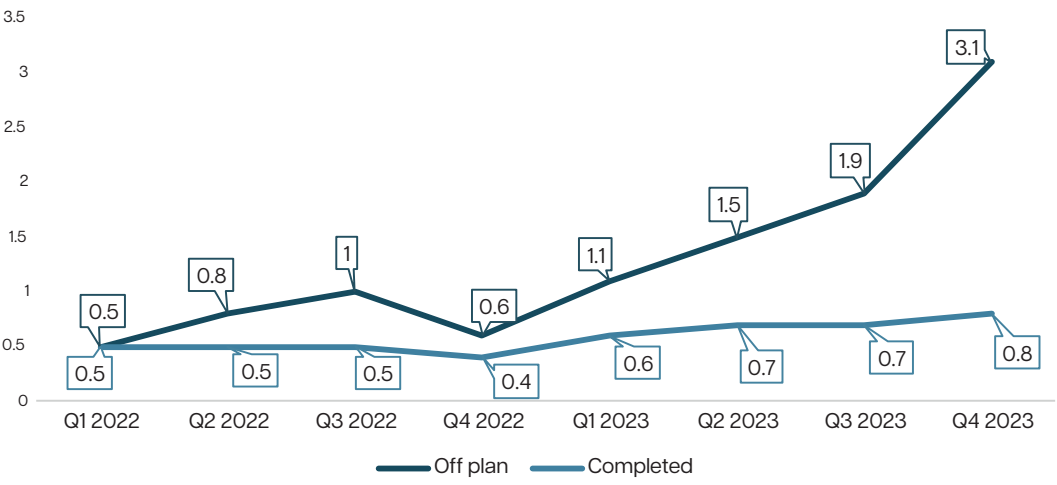
In 2023, off-plan apartment sale transactions amounted to AED 7.6 billion, reflecting a significant decrease of 33% from 2022. On the contrary, completed apartment sale transactions amounted to AED 2.8 billion, indicating a growth of 32% compared to the data from 2022.

This arguably highlights a decrease in the demand for off-plan properties, which saw a substantial reduction in transaction values during 2023. However, the number of transactions for off-plan properties grew by 61% in 2023 in comparison to the previous year, underscoring a potential demand for off-plan properties with smaller price tags.

Apartment Sale Transactions Volume - (Q1 2022 – Q4 2023)



Apartment Sale Transactions Volume - (Q1 2022 – Q4 2023)



Source: MPM Research

Residential Market Overview

Villa Sale and Mortgage Transactions

The Villa market segment in Abu Dhabi, has exhibited notable transactional activity and substantial growth during 2023. With a total of 4,126 transactions and a cumulative value of AED 20.8 billion, including both off-plan and ready properties, there has been a jump of 31% in transactional volume and an impressive 48% in the total value when compared to the figures from the preceding year.

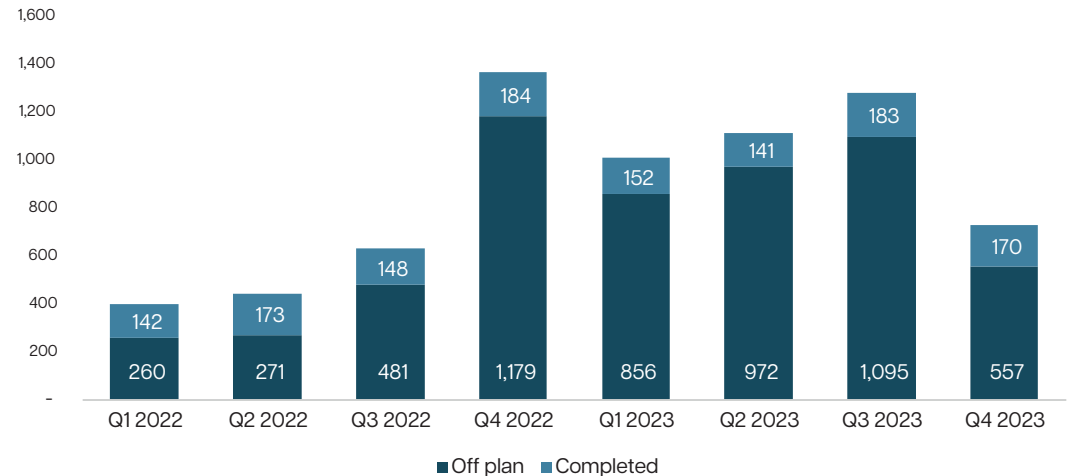
Like the observed trends in the apartment market, the Villa market has also experienced a significant shift. In 2023, there has been a prominent 37% upward trend in the number of off-plan transactions, whereas ready property transactions have remained the same comparing to the previous year. However, concerning the transaction values, there is only a substantial increase of approximately 10% for ready properties, whereas the off-plan properties stands at 55% upward trend.

MPM noticed a preference and increase in demand for off plan villa properties over ready projects, buyers have shown a distinct preference for premium or high-quality projects with substantial investment sizes when opting for off-plan properties.

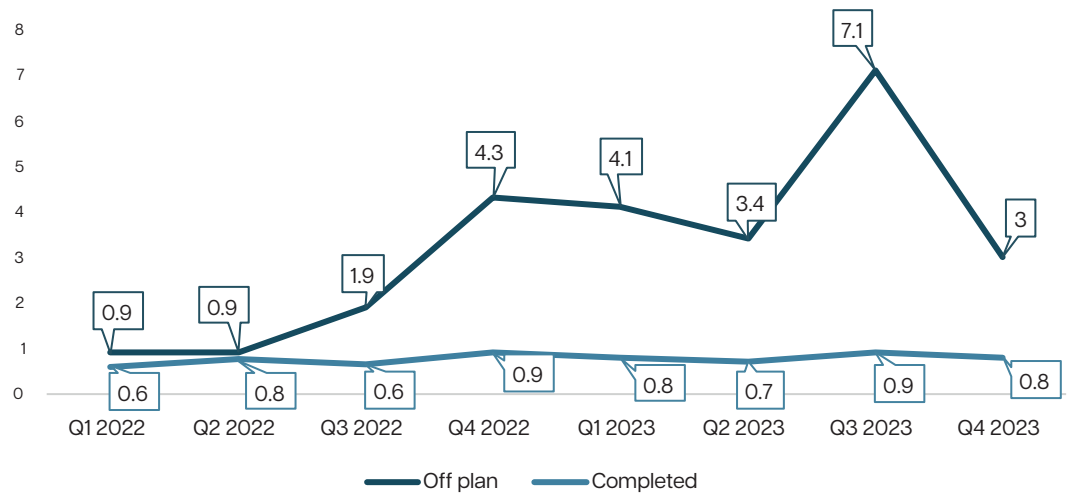
As per MPM research, the trend indicates an evolving consumer inclination towards off plan properties, possibly due to factors such as discounted prices compared to completed ones, and availability of variety of payment option with flexible plans and less down payment concepts.

It is imperative for developers and stakeholders to acknowledge this shift in demand dynamics and strategize offerings to align with the growing preference for off plan properties. It may be suggested to keep an eye on buyer preferences and delivering on-demand offerings will assist in establishing further success in this evolving market landscape.

Villa Sale Transactions Volume - (Q1 2022 – Q4 2023)



Villa Sale Transactions Value (AED billion) - (Q1 2022 – Q4 2023)



Source: MPM Research

Residential Market Overview

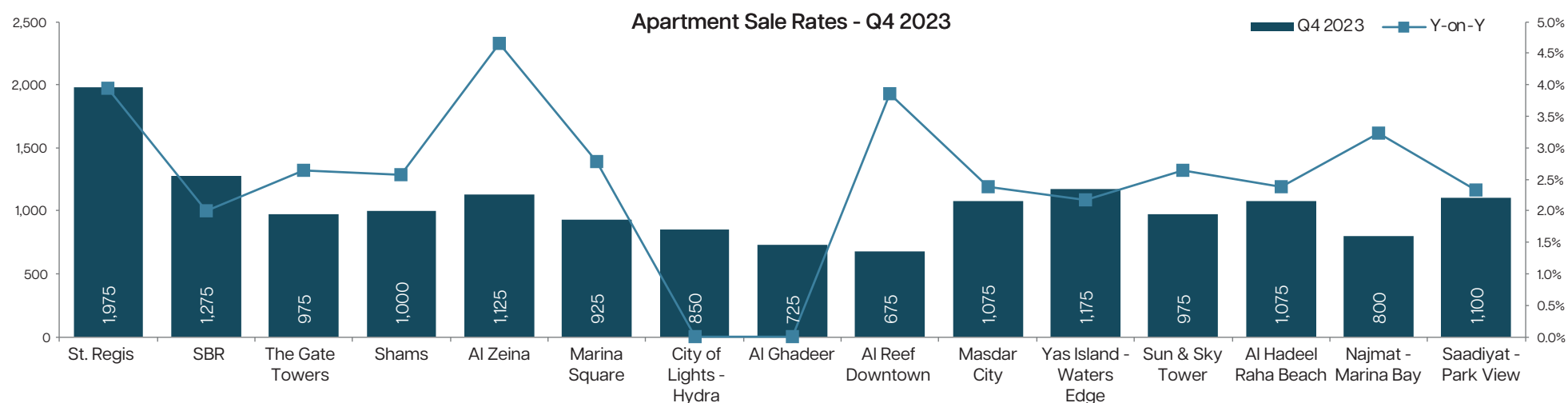
2.6%
Y-O-Y growth

Sales Prices

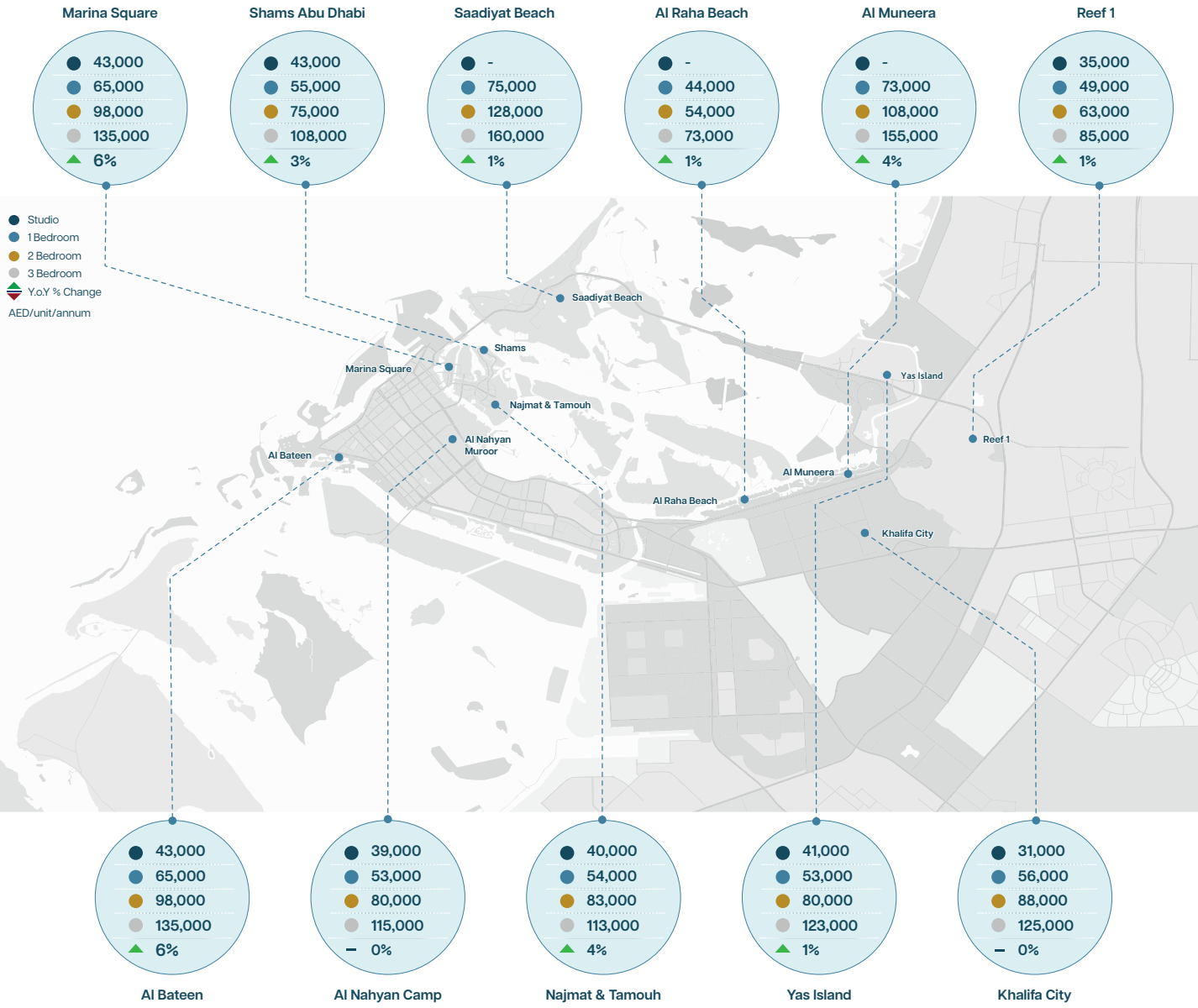
MPM has analyzed the selected developments in the capital emirate, which indicates a modest yet consistent increase in average sales prices, witnessing a quarter-on-quarter marginal uptick of 0.6% and a year-on-year growth of 2.6%. The combination of limited supply and robust demand has notably boosted capital values, particularly in the luxury and upscale property segments. This trend is foreseen to persist in the foreseeable future due to the ongoing constraints in supply.

In the fourth quarter of 2023, areas such as Al Muneera, Al Zeina, Al Hadeel Raha Beach, Saadiyat Beach Residences, and Saadiyat Park View witnessed an increase in sales prices by 2% compared to the preceding quarter. In contrast, the sales prices in other notable areas, included in the graph below, remained relatively stable over the past three months.

As per MPM research, The graph indicates the average sales prices within the apartment market, accompanied by the year-on-year percentage change for Q4 2023.



Apartment - Market Performance



Rental Rates

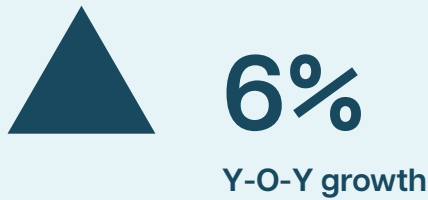
As per MPM Research, Prime quality apartment developments observed an average rental growth of 1% in Q4 2023 and an annual increase of 6%. Such areas include Saadiyat, Al Raha, Yas Island, Al Bateen, Al Khalidiya and Corniche.

Rental rates for apartments in high and mid-quality buildings or developments remained relatively steady throughout the quarter, with marginal annual growth rates of 2% and 3% respectively.

However, older mid to lower quality buildings have faced challenges due to the introduction of superior quality units over the past 12 to 18 months. A substantial portion of units in this category have experienced saturation, resulting in a nominal annual increase of only 1%.

As per MPM expertise in the market, The trend for the increments were primarily applicable to new tenants. In contrast, many landlords have opted for a cautious approach with existing tenants, choosing to forego potential rental hikes to maintain tenant retention and occupancy.

The map reflects selected areas for apartment rental rates however our overall data covers most of the areas in the capital emirate. Further the area has been categories into high, mid and lower end properties in each areas.



Source: MPM Research

Villa - Market Performance



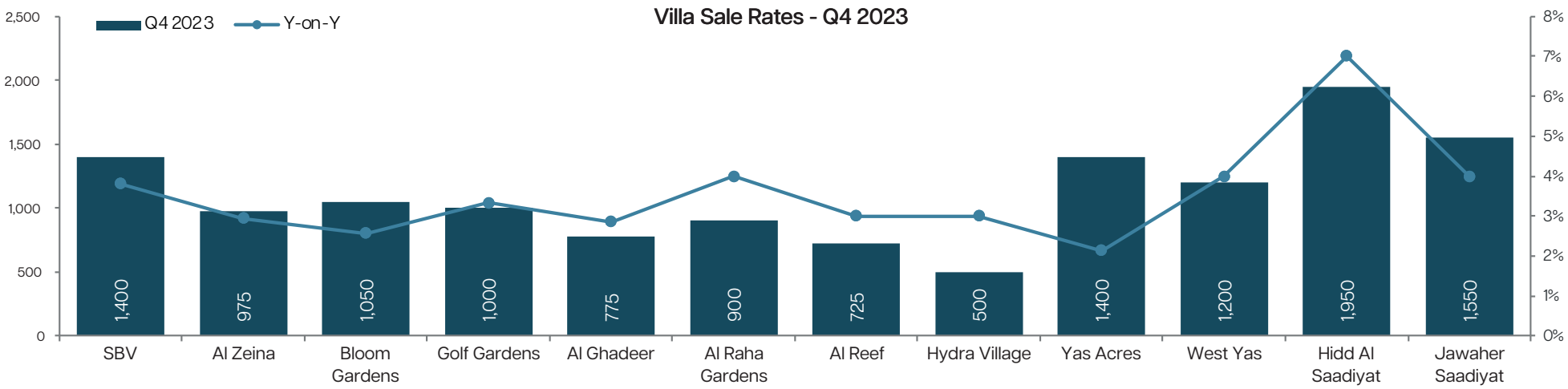
4%
Y-O-Y growth

Sales Prices

According to MPM Research in Q4 2023, villa sales prices have maintained stability compared to the previous quarter. However, there has been notable growth of 4% over the last 12 months.

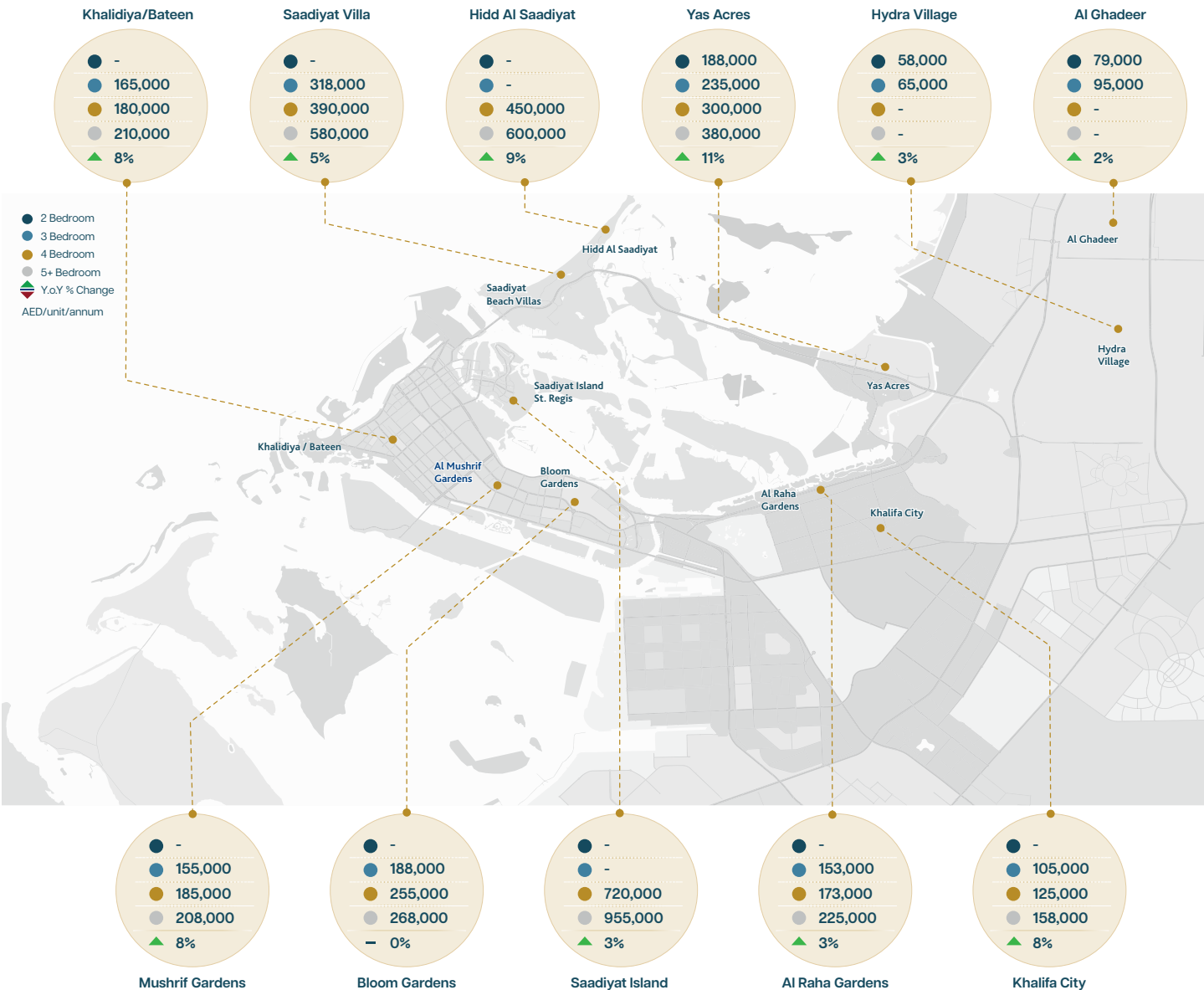
Prominent areas such as Al Raha Gardens, Al Zeina, Golf Gardens, Yas Acres, West Yas, Jawaher Saadiyat, Hidd Al Saadiyat, Al Reef and Hydra Village observed an annual increase between 3 - 7%. Additionally, other areas represented in the graph below for villa sales prices, also experienced gains ranging between 2% and 3%. This consistent performance of the below selected area in the graph highlights as key drivers in the villa market.

As per MPM research, The graph indicates the average sales prices within the Villa market, accompanied by the year-on-year percentage change for Q4 2023.



Source: MPM Research

Villa - Market Performance



Rental Rates

According to MPM research, villa average rental rates witnessed a slight increase of 1% during the quarter, recording year-on-year average growth of 6%, across selected locations in Q4 2023.

Investment areas have seen an annual growth of 8%, particularly in areas like Al Raha Beach, West Yas, Yas Acre and Hidd Al Saadiyat. However other areas like ydra village, Saadiyat Beach Villas and Saadiyat Island – St Regis recorded an annual average increase from 3-5%.

Properties located in off Island zone of Abu Dhabi (Al Ghadeer, Al Raha Gardens, Golf Gardens, Khalifa City & MBZ) continue to maintain rental yields due to lack of demand for better facilities or amenities. Average rents within these zones have remained constant over the last three months, experiencing an average year-on-year gain of 4%.

Villa letting market experienced diverse interest from both current occupants and newcomers entering the market. Existing residents were seen to migrate to larger villas or developments, that provide superior facilities and amenities, while new entrants displayed a preference for smaller properties. There is a clear appetite for modern or improved product and more professionally managed portfolios.

The map reflects selected areas for villa rental rates however our overall data covers most of the areas in the capital emirate and the annual growth is based on overall rental rates.



6%

Y-O-Y growth

Office Market Overview

Outlook

The office market has witnessed an uptick in demand in 2023. With government and semi-government entities continuing to play a pivotal role in driving office demand as they remained key occupiers in the capital city.

The Abu Dhabi Government has implemented specific measures to enhance the local business environment. These include the elimination of fees for delayed business license renewals and the establishment of a new framework allowing instant licensing for most commercial activities.

Significant future demand is anticipated to stem from Government initiatives focused on enhancing economic diversification and stimulating private sector activity, although large-scale demand for private office projects in the short term is not anticipated.

According to MPM, within the free zone areas of Abu Dhabi, existing office buildings are currently experiencing robust demand, with some achieving occupancy rates close to 90 – 95%.

Rents within these zones have remained relatively high compared to non-free zone areas. Furthermore, there has been a positive up trend in demand for serviced offices.

However, incentives such as rent-free periods, service charge waivers, rental payment term in lease agreements may contribute to headline rental rates.

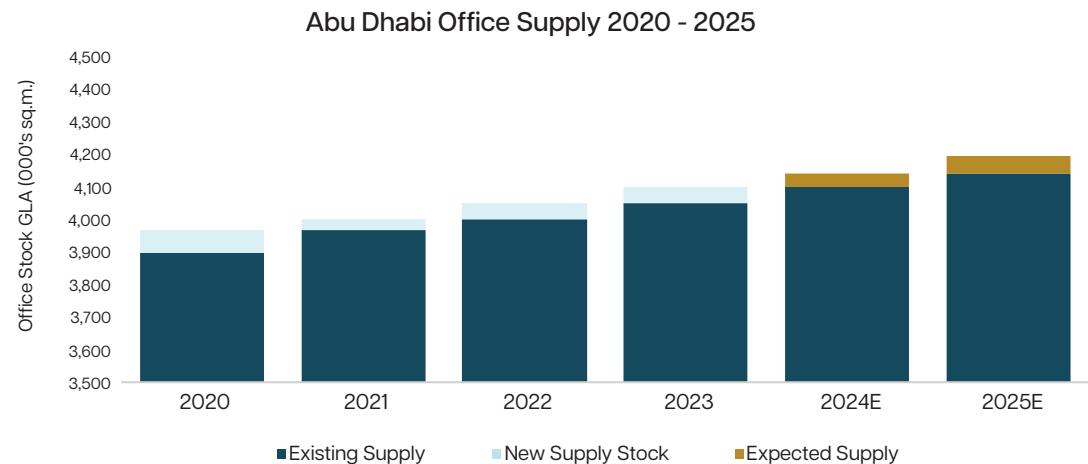
Supply

In 2023, MPM research reveals the addition of 50,000 sqm of office space, contributing to a total estimated office supply exceeding 4.15 million square meters of Gross Leasable Area (GLA) in Abu Dhabi. a significant portion of newly completed office can be classed as Grade B space, predominantly clustered on Abu Dhabi Island.

MPM expect the office market in Abu Dhabi will add approx.100,000 square meters of GLA during the next two years mainly spread across in Al Raha Beach, Al Reem Island and Mainland area.

Presently, free zones are experiencing high occupancy rates (above 90%) and rental rates, surpassing those observed within the broader non-free zone market.

Over the past two years, MPM data shows that Freezone locations, including Masdar City, Abu Dhabi Airport Free Zone, and The Media Zone, have jointly supplied approximately 360,000 square meters of Gross Leasable Area (GLA) for office spaces, constituting approximately 9% of the overall stock.



Office Market Overview

Office Rental Rates and Sales Prices

Since 2018, the office sector market has faced significant challenges. Despite the slight marginal increase in office rental rates in 2023, there was a notable surge in the demand for new office spaces, indicating a potential uptick in base rental rates during 2024.

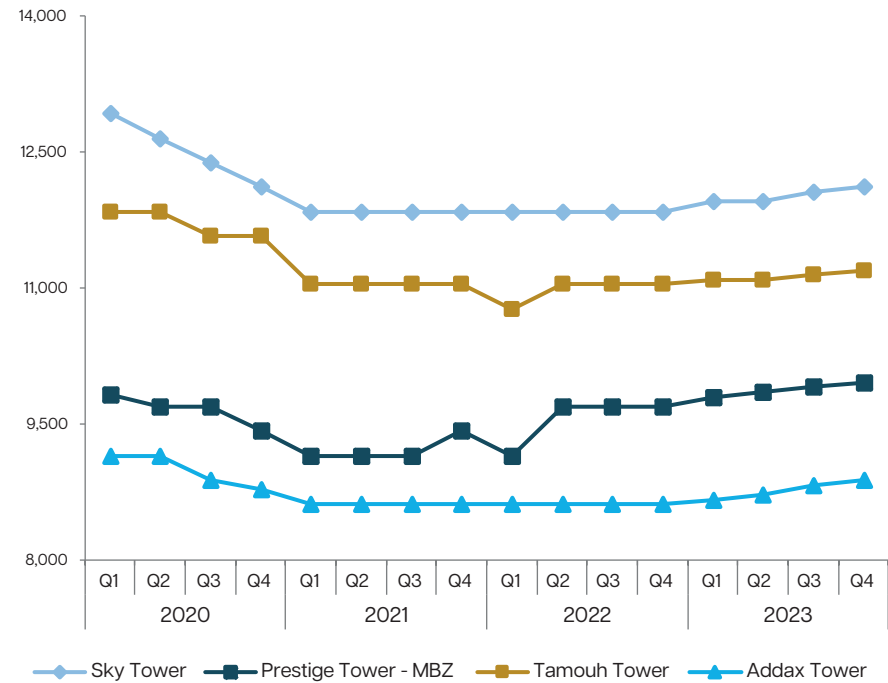
MPM data indicates the rental rates for Grade A fitted office spaces have increased from an average of AED 1,240 per square meter per annum in Q4 2022 to the current rates of AED 1,275 per square meter per annum. The increase in rent compared to the previous year has been marginal and expected to stabilize, as landlords are demonstrating greater flexibility by offering extended rent-free periods rather than directly reducing rental prices.

According to MPM expertise in the market, the office sales market continued its upward trajectory, the market in 2022 exhibited improved activity and heightened investor interest, particularly in Grade A and well-positioned office spaces, leading to slightly increasing sales prices. In early 2023, the real estate office sales market showed resilience, benefiting from economic stability, government incentives, and ongoing infrastructure developments.

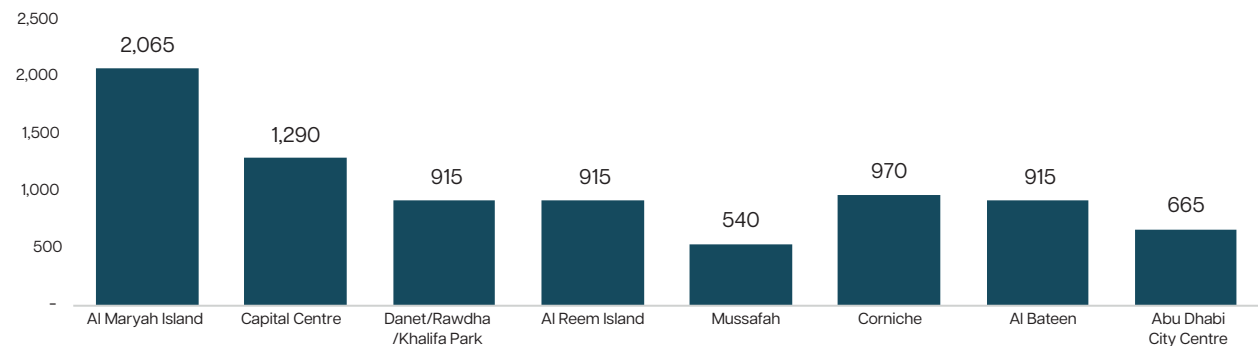
Using the properties listed in the sales graph, Our research have analyzed a slight increase of 1% quarterly and 2% annually in their sales prices.

Strategically positioned buildings boasting Grade A/B+ specifications are poised to maintain heightened demand. Conversely, office structures of inferior quality, offering limited parking facilities and professionally managed services, will continue to encounter challenges in the market.

Apartment Sale Prices (AED per sqm) - (Q1 2020 – Q4 2023)



Average Office Rents per sqm p.a by Location - Q4 2023



Retail Market Overview

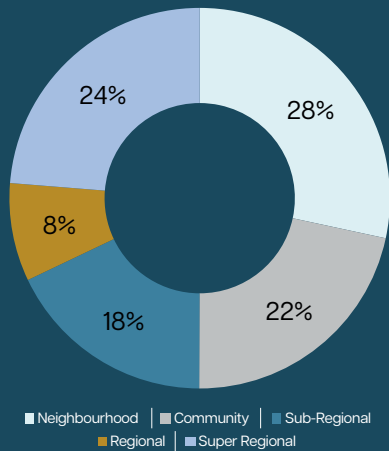
Outlook

The retail sector has experienced upsurge in footfall levels and sales volumes, Since Covid and this continues to be true with a noteworthy increase in tourist arrivals. Prospective events and conferences in the upcoming years, like COP28 held in the UAE in 2023, are anticipated to further maintain momentum and facilitate marginal growth in both occupancy rates and foot traffic within the retail sector.

An area worth monitoring is collaborative development or Joint Venture-type projects. Historically, there has been significant foreign investment interest in retail mall development in Abu Dhabi. Notable examples include the joint venture between the Related Group and Gulf Capital for the Galleria Mall and the involvement of Kuwait-based NREC in Reem Mall.

Recently announced agreement between the Abu Dhabi Airport Free Zone (ADAFZ) and Grand Move, a local company, signifies a collaboration to develop a 35,000 square meter community mall located in the emerging Al Falah district. Alongside Public-Private Partnership (PPP) initiatives, these collaborative project developments are expected to extend through 2024.

Abu Dhabi Retail Supply at Q4 2023



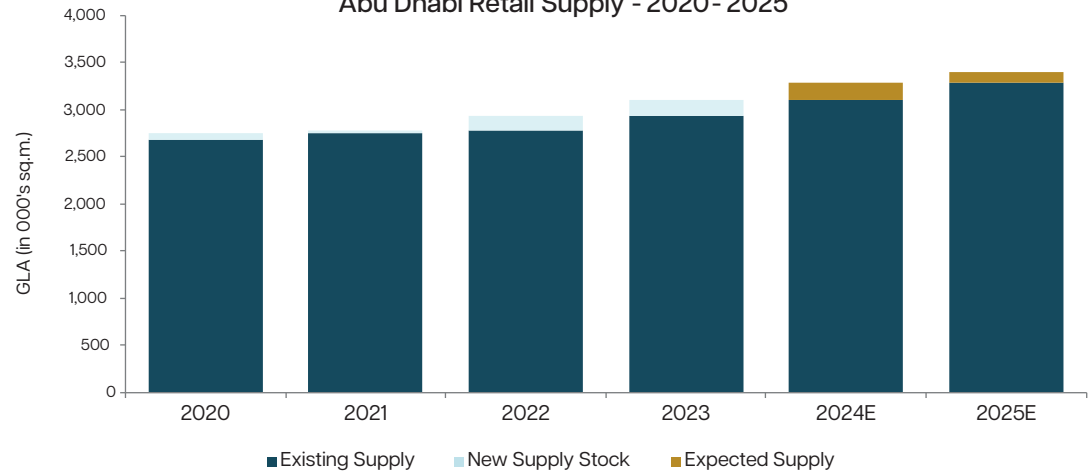
Supply

According to MPM research, the Gross Leasable Area (GLA) in Abu Dhabi's retail sector reached 3.16 million square meters by the end of Q4 2023. Throughout 2023, an additional 170,000 square meters of retail GLA was added with the complete operationalization of Reem Mall, even though anchor tenants like Carrefour had already started operations in 2022.

With ongoing construction projects and planned initiatives, MPM estimates 300,000 square meters of GLA in retail space are scheduled for completion within the next two years. It includes projects like New Abu Dhabi Traditional souq located opposite Sheikh Zayed Mosque, Initial phase of Saadiyat Grove and several community centers spread out in different areas of the emirate.

With the rise of new residential communities, by 2025, MPM expects an ongoing increase in retail availability to meet the growing demand from the local population, particularly in the services convenience and experiential sectors.

Abu Dhabi Retail Supply - 2020 - 2025



Retail - Market Trends

SHIFT IN RETAIL CONSUMER PERSPECTIVE

Irrespective of market conditions, MPM has identified a sustained demand for community and lifestyle retail. The preference for open-air concepts has intensified, particularly in the post COVID impact. Drawing on MPM's industry expertise, The retail landscape in Abu Dhabi reflects dynamic shifts in consumer preferences, emphasizing community engagement, lifestyle offerings, and waterfront experiences.

The incorporation of a well-balanced & thoughtful mix of complimentary product that harness the entertainment values This now sees F&B as a lone entertainment component to match visitors global knowledge and experiences.

As per MPM research, the heightened interest in the market includes a noticeable surge in pedestrian lifestyle preferences, resulting in lifting rental rates and improved occupancy levels in major retail hubs. Key drivers of this trend are identified in the food and beverage sector, entertainment, healthcare services, services sectors, and convenience outlets, rather than a majority of Fashion.

Within the Abu Dhabi market, MPM continue to see our predicted consistent upswing in popularity for waterfront retail & lifestyle formats in recent years such as Al Qana, Yas Bay Waterfront, The lake Side waterfront retail for Galleria Mall and Al Bateen waterfront retail. We expect this trend to continue in attracting more foot traffic and unique dining experiences in coming years.

Recognizing and capitalizing on these trends will be crucial for businesses seeking success in the evolving retail market. Further monitoring and adaptation to changing consumer behaviors will be essential for sustained growth and competitiveness but to also continuing to develop new experienced based formats. This is an area to be capitalized on.



Definitions & Methodology

Research Study Area

The geographic extent of the study area covers the key districts in Abu Dhabi.

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 where able.

Offices

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

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.

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.

Retail space classifications: (in sqm)

Neighbourhood:	0 - 18,500
Community:	18,500 - 46,500
Sub-Regional:	46,500 - 93,000
Regional:	93,000 - 186,000
Super Regional:	186,000 & above

We carry out bespoke client research and consultancy

Since 2013, MPM Properties 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.

Integrated services covering the full property lifecycle



A collaborative team providing our integrated services

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