



# UAE Real Estate Report

H2 2023 Review and H1 2024 Outlook

February 2024

المركز  
MARKAZ

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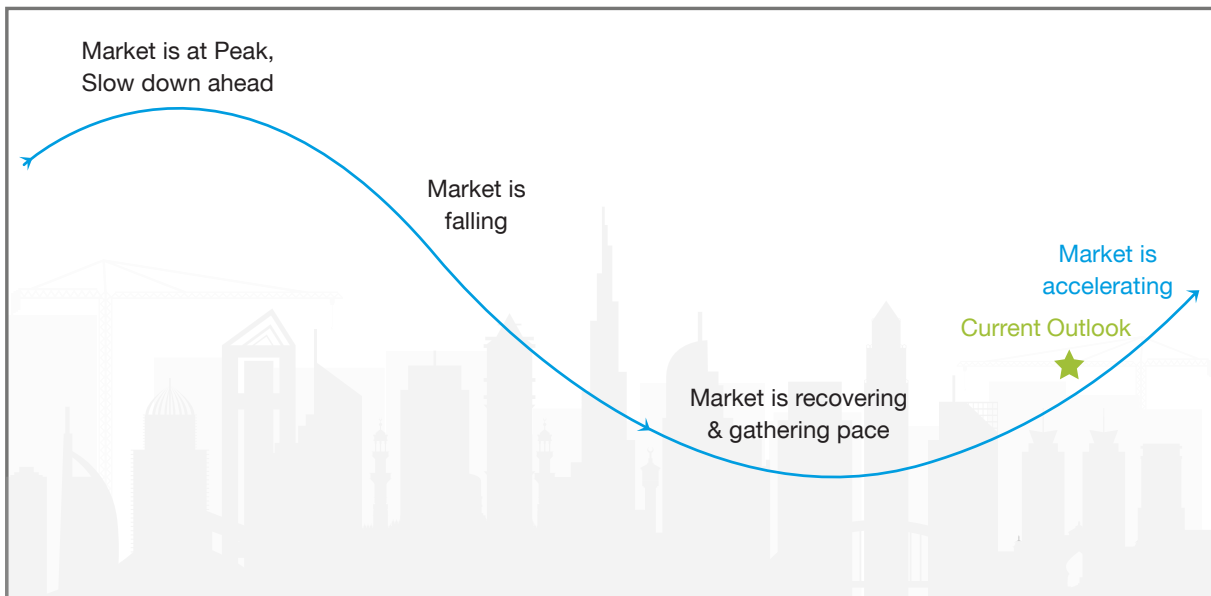
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## 1. Executive Summary

- The UAE economy is anticipated to witness sustained growth in 2024 and register a real GDP growth of 4.0% y/y as compared to 3.4% y/y in 2023, as projected by IMF. The growth is expected to be primarily driven by the higher oil GDP following the OPEC+ production quota increase, steadfast progress in non-hydrocarbon sector, flexible government policies favouring the inflow of investments, stable fiscal position, and current account surplus.
- Inflation in Dubai has recorded an upward trend since August 2023 owing to rise in energy prices. CPI accelerated by 4.27% on y/y terms in October 2023, compared to 3.81% y/y rise in September. The prices in the housing segment rose by 6.07% y/y in October as compared to 6.10% y/y in the previous month. However, inflation in the UAE is anticipated to moderate by the end of 2023 as energy prices soften. According to IMF, inflation is expected to be range bound and average at 2.3% in 2024 supported by moderating price levels in major segments and higher interest rates.
- The Central Bank of UAE has increased its policy rate in line with the U.S. Fed in the past 12 months. The Fed is anticipated to maintain the interest rates at the current range till H1 2024. Currently, the market is pricing in a 100-bps rate cut from Fed in H2 2024. Higher interest rates in H1 2024 are likely to impact consumer spending and demand for mortgages.
- Real estate sector in the UAE witnessed strong growth in Q3 2023. Property prices in the UAE continued to surge in Q3 2023 despite macroeconomic headwinds. Average residential prices in Dubai rose by 19.6% during the year to September 2023 while Abu Dhabi's average apartment prices grew by 0.9% during the period.
- In the year to Q3 2023, average rents for Prime, Grade B and Grade C offices in Dubai increased by 10.7%, 20.1% and 30.0% respectively. In Abu Dhabi, average Prime and Grade B segment rents increased by 7.0% and 13.0% respectively over the same period. The rents in UAE real estate sector is expected to rise in Q4 2023 on the back of pentup demand and shortage of quality stock.
- Dubai's real estate market recorded high growth in Q3 2023, as the total value of transactions reached AED 97.55 billion, marking a 40% increase from AED 69.5 billion in Q3 2022. The value of real estate transactions in the year to September 2023 in Abu Dhabi reached AED 67.76 billion (USD 18.5 billion), rising 56% y/y. A total of 16,170 transactions were recorded during the same period, indicating a 36% y/y increase.

- Despite fears of a mild recession in the US and the Euro Zone and persistent high global inflation in 2024, UAE's economy is anticipated to grow at a steady pace on the back of increase in oil output and expanding non-oil sector.
- Flexible visa policies, the increase in the number of trade licenses being issued in Dubai and favorable tax laws bode well for the real estate sector. The residential, office and hospitality real estate segments are poised for continued high growth in H1 2024 owing to elevated demand from ultra-high net worth individuals and limited projects in the pipeline to support the demand. Higher mortgage rates could support rental demand.
- Overall, based on our assessment of various macroeconomic factors, we believe that the real estate sector in UAE is expected to accelerate in the first half of 2024, albeit at a slower pace than the robust growth witnessed in 2023.

## UAE Real Estate Market Outlook



Source: Marmore Research

Note: Grey colored box indicates the current outlook of the real estate market

## UAE Macroeconomic Views

### Economic Factors    Our take    Economic Factors

	Oil (Real) GDP Growth	Moderate	Oil prices are expected to remain stable in H1 2024, albeit lower than the price levels in 2023 due to uncertainty in global oil demand. Geopolitical uncertainty is likely to affect oil prices. Expected increase in the UAE's oil production capacity favor oil GDP growth.
	Non-Oil (Real) GDP Growth	Moderate	Non-oil sector is anticipated to witness steady growth in H1 2024. The moderate outlook compares with the robust demand for real estate, construction, and tourism sectors in the economy.
	Fiscal Balance	Moderate	Although Fiscal surplus is expected to slightly narrow in 2024, we expect corporate tax driven non-oil revenue to support fiscal position.
	Investments	Moderate	Government's business friendly policies, lower income tax and flexible visa policies are expected to sustain the momentum in the foreign direct investments in the UAE in 2024.
	Money Supply, M2	Moderate	CBUAE is expected to maintain its interest rates higher at the current rate in H1 2024 despite softening regional inflation due to its currency peg. Moderating price levels are expected to positively impact money supply and consumption.
	Inflation	Moderate	Inflation in UAE is anticipated to remain range bound in H1 2024 and much lower than the inflation levels forecasted for major global economies. The fall in global energy prices and moderating price levels in major segments favor the ease in price levels.
	Interest Rate	Neutral	The U.S. Fed is expected to maintain the interest rates stable at the current level till the first half of 2024. The market expects the U.S Fed to implement a 100-bps rate cut in H2 2024. We anticipate CBUAE to follow the policy moves of U.S Fed and hold the interest rates at the current level in H1 2024.
	Yearly Population Growth	Neutral	Population growth is expected to be stable in the near term. Visa policies favoring the flow of expats and rise in new business registrations are expected to support the stability in population growth over a longer time horizon.
	Job creation	Moderate	The sustained rise in project awards and steadfast growth in the non-oil sector of the economy despite macroeconomic headwinds support job creation in the near-term.

Source: Marmore research

## 2. UAE: Macroeconomic Update

### a. Stable outlook for UAE Oil-GDP

Oil prices continued to remain volatile during May-October 2023 averaging around USD 82.63/bbl., despite OPEC+ production cuts and geopolitical pressures in the Middle East. The partial lifting of the Russia export ban, fears of higher than projected monetary tightening by U.S Fed in H1 2023 coupled with slower than expected economic recovery of China exerted downward pressure on oil prices. However, oil prices recorded marginal gains in September and reached the peak of USD 96.55/bbl. supported by the voluntary oil supply cuts from Saudi Arabia and Russia. Saudi Arabia and Russia extended its additional voluntary cut of 1 million barrels per day (bpd) and 300,000 bpd respectively, till the end of the year. Oil prices are expected to be relatively stable in H1 2024, yet lower than the 2023 levels owing to the slower global economic growth. However, we expect oil prices to remain steady as in the past 12 months OPEC+ has been observed to adjust the oil production in response to the global demand and provide a floor to oil prices at USD 70/bbl. EIA forecast oil prices at USD 93.24/bbl. in 2024. In October 2023, the World Bank projected the global oil prices to average at USD 90/bbl. in Q4 2023 and fall to an average of USD 81/bbl. in 2024. However, escalation of geopolitical tensions in the Middle East that might disrupt oil supply and uncertainty over oil demand from China are likely to impact oil prices in 2024.

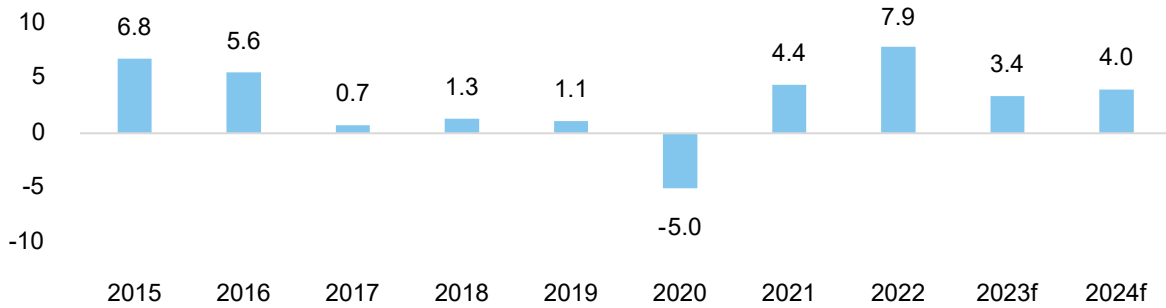
#### Month-End Brent Oil Prices (Jan 2015 – October 2023)



Source: Refinitiv

According to IMF, global economic growth is expected to slow down from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024. World economic growth is expected to be weighed down by elevated interest rates for prolonged period, higher energy prices and a slowdown in the economic activity of Europe and UK. Although economists forecast a soft landing in the U.S economy supported by moderating inflation levels, they anticipate chances of mild recession for Europe and the UK. However, UAE economy is expected to be resilient with growth fueled by the steadfast momentum in the non-oil sector and expectations of a less volatile oil price scenario in 2024.

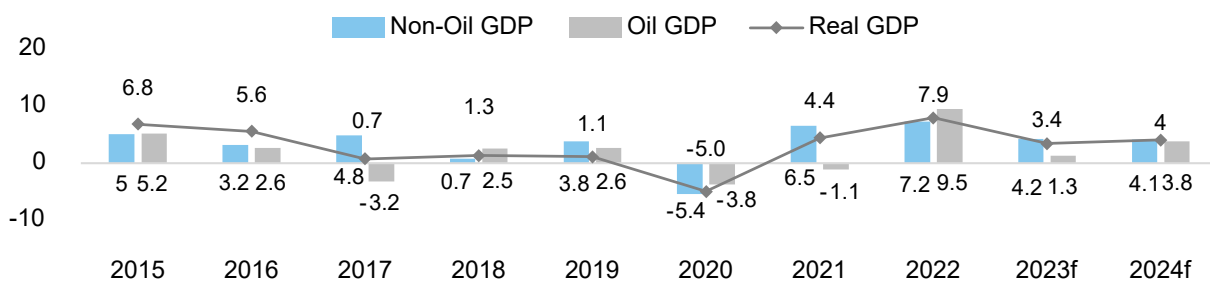
### Economic Growth – UAE Annual Real GDP Growth (% change)



Source: IMF

UAE’s real GDP growth is expected to accelerate at 4.0% in 2024, following a moderation in growth in 2023 owing to the OPEC+ oil supply cuts. The growth is expected to be supported by both oil and non-oil sectors as OPEC+ production quota is likely to increase in 2024. The UAE production baseline under OPEC+ agreements is set to rise 200,000 barrels per day (bpd) to 3.219 million bpd in January 2024. Tourism, trade, real estate, construction, financial services are expected to be the key non-oil sectors driving real GDP growth in 2024. The rising number of tourist arrivals, supportive government initiatives, acceleration in public and private investments and increasing technological advancements are expected to spur on the country’s economic expansion. The number of international visitors in Dubai reached 8.55 million in H1 2023, surpassing the pre-pandemic record of 8.36 million tourists in H1 2019. The UAE’s tourism sector is expected to continue its upward growth momentum as it hosts major global events such as the Conference of Parties (COP) 28 climate change summit between November and December 2023. UAE’s banks reported record profits in 9M 2023, supported by better credit growth and higher interest rates. The S&P forecasts the UAE banking sector to remain relatively strong in 2024 supported by improved internal capital generation, strong liquidity and net external assets position. The strong performance of the banking sector provides support to the real estate sector in terms of lending.

### Oil and Non-Oil Real GDP growth (y/y %)

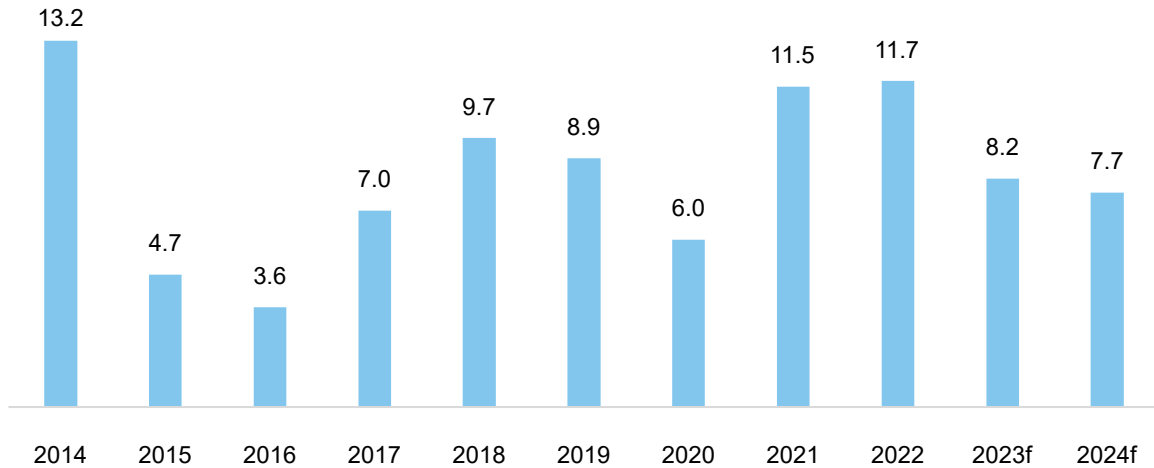


Source: REO, IMF – October 2023



The UAE’s non-oil foreign trade (goods) reached AED 1.24 trillion (USD 0.34 trillion) in the first half of 2023, marking a 14.4% surge compared to the same period in 2022. Non-oil exports accounted for 16.6% of the total foreign trade and amounted to AED 205 billion (USD 55.82 billion) in H1 2023, up by 11.9% on a year-on-year basis. UAE imports rose to AED 693 billion (USD 188.69 billion) in H1 2023, a 17.5% increase from same period last year.

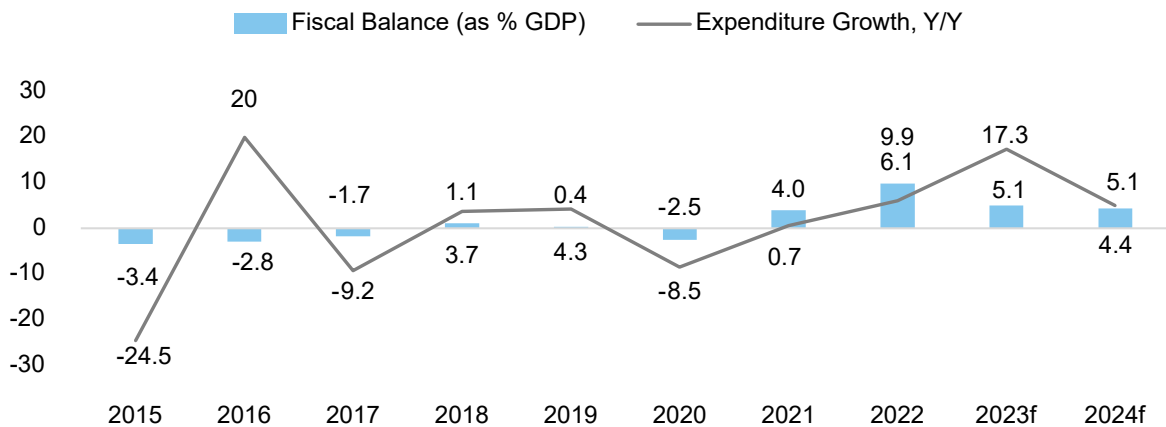
### Current account surplus (as % of GDP)



Source: REO

UAE is expected to record a current account surplus of 7.7% of GDP in 2024 underpinned by strong non-oil sector growth. However, the current account surplus is expected to narrow from 8.2% in 2023 owing to the contraction in the global economic growth, moderate demand for the Abu Dhabi exports and slightly lower oil prices in 2024.

### General Government Fiscal Balance (% GDP) & Expenditure growth (y/y %)



Source: IMF, Refinitiv

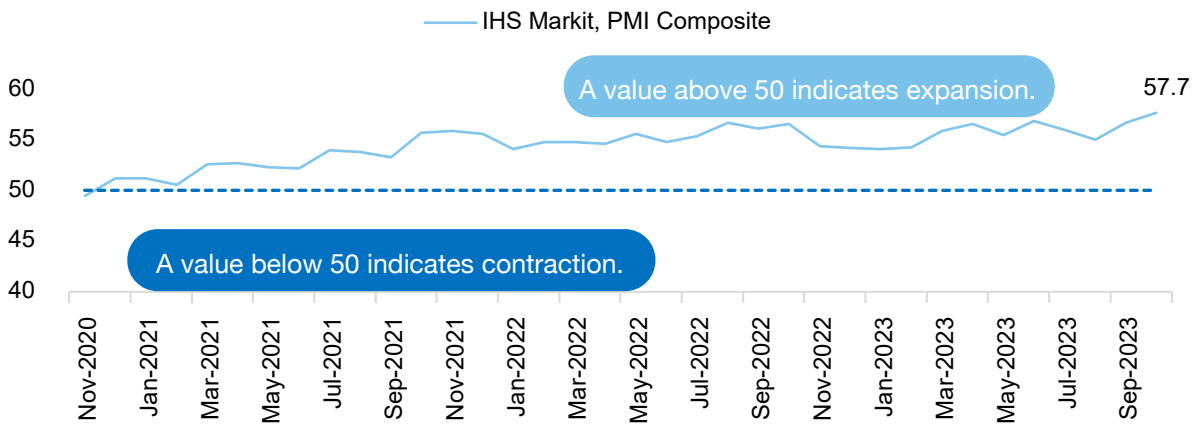


UAE is expected to record a fiscal surplus (as % of GDP) of 4.4% in 2024 supported by stable oil prices and strong economic activity. The phased introduction of a corporate income tax that commenced in June 2023 is likely to support non-oil revenue over the medium term. However, the fiscal surplus is expected to slightly moderate from 5.1% in 2023 as IMF projects a lower oil price of USD 79.2/bbl. for UAE in 2024 as compared to USD 85.2/bbl. in 2023. Along with the fiscal surplus, total expenditure growth is estimated to narrow from 17.3% in 2023 to 5.1% in 2024. In H1 2023, the UAE government posted a fiscal surplus of AED 9.75 billion. The government revenue and expenditures amounted to AED 34.7 billion and AED 25.0 billion respectively, during the period.

### Leading indicators portray an optimistic picture

Business activity continued its momentum in Q3 2023 and hit the highest level since 2019. The UAE economy grew 3.7% y/y in the first half of the year, driven by a strong non-oil sector. In H1 2023, UAE’s real non-oil GDP surged 5.9% y/y supported by improved household spending, government reforms and increased business confidence. According to OPEC Monthly Oil Market Report for October 2023, the tourism sector continues to be one of the major contributors of the country’s non-oil activity. The number of visitors to Dubai rose 19% y/y in H1 2023. Abu Dhabi’s real non-oil GDP amounted to AED 154 billion, contributing 53.7% to the GDP in Q2 2023.

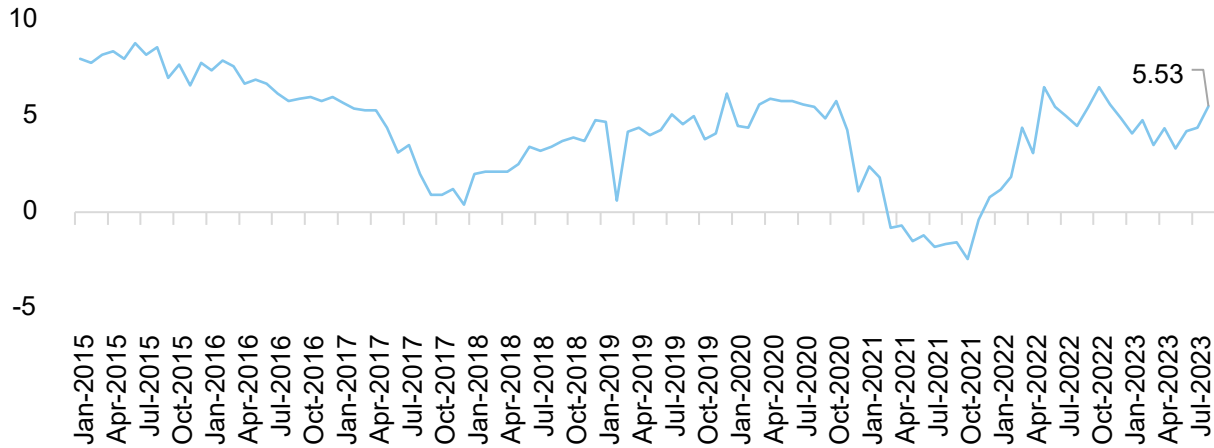
### IHS Markit PMI Composite Index



Source: Refinitiv

UAE’s non-oil business activity continued to sustain its upward trend as indicated by the IHS Markit UAE Purchasing Managers’ Index that remained above the threshold level of 50. In October 2023, PMI grew to 57.7, the highest since June 2019. This indicates robust growth in the non-oil activity driven by surge in business orders and strong demand.

## Banking, Loans & Advances (YoY change, %)



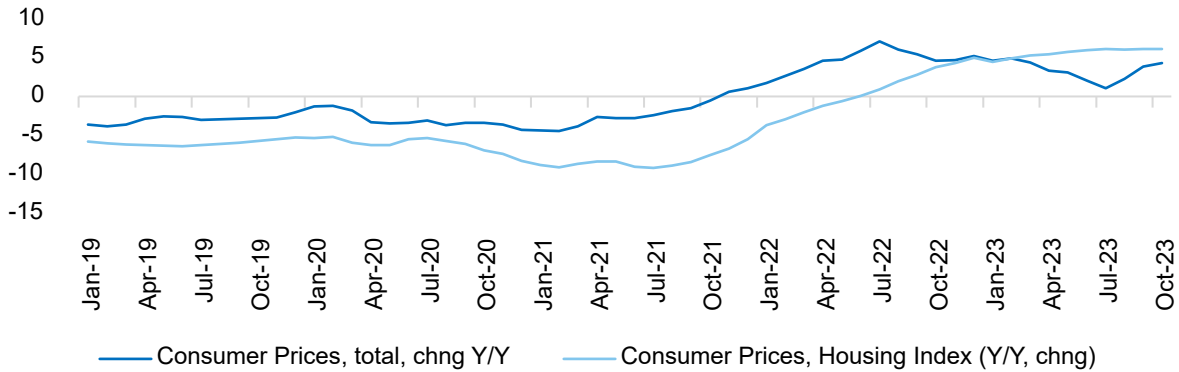
Source: Refinitiv

Credit growth is expected to remain relatively stable in 2024 as the U.S Fed is expected to end the rate hike cycle by 2023 with anticipated rate cuts in late 2024. Credit growth averaged at 4.0% y/y in the first five months of 2023 following the interest rate hikes by the U.S Fed. However, credit growth witnessed an increasing trend during June-August 2023 and averaged at 4.7% y/y during the period. Credit growth peaked at 5.53% y/y in August 2023, the highest since the start of the year. The growth rate in credit correlates with the pause in the rate hikes by the U.S Fed. The softening price levels also favor credit growth in H1 2024.

### b. Inflation in UAE to remain range bound despite stubborn global inflation

Inflation in Dubai witnessed a downtrend in H1 2023 in response to the interest rate hikes by the Central Bank of UAE. However, inflation rebounded and continued to remain sticky during August-October 2023 owing to higher energy prices and transport costs. Dubai CPI rose 4.27% y/y in October higher than the 3.81% y/y in the previous month. Unlike in major global economies, inflation in UAE is expected to ease and average at 2.3% in 2024. The trend is led by moderating import prices and lower energy prices. The U.S Fed's stance to keep interest rates higher for longer period in 2024 is expected to help UAE keep its inflation under control as CBUAE mirrors the policy moves of the U.S Fed.

## Dubai Consumer Price Index, Inflation (YoY change, %)



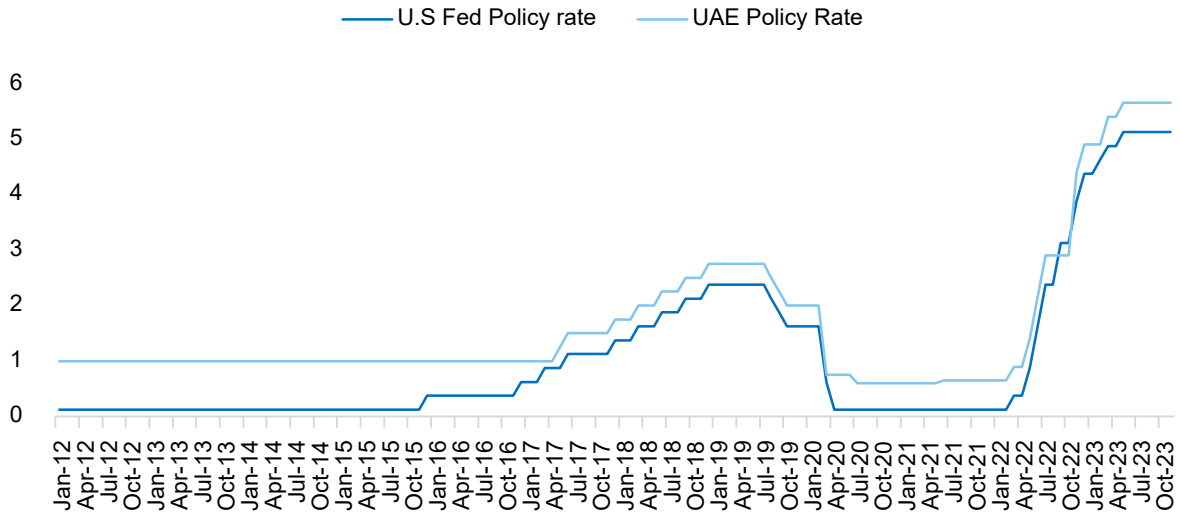
Source: Dubai Statistics Centre

The housing, utilities and fuel component that accounts for approximately more than 40% of the Dubai CPI has been in positive territory since Q3 2022. Dubai's property market made a strong recovery from the coronavirus-induced slowdown on the back of government initiatives such as residency permits for retirees and remote workers and the expansion of the 10-year golden visa programme, leads generated by Expo 2020 Dubai and higher oil prices. Housing inflation rose to 6.07% y/y in October compared to 6.1% y/y in September 2023. The real estate segment is anticipated to persist its positive price trend in Q4 2023 and H1 2024 as rental prices in UAE are expected to rise albeit at a slower pace than witnessed in 2021 and 2022. Generally, the impact of an increase in rents influences the housing index with a lag.

### c. Higher interest rates could impact mortgage demand

Following the 100-bps interest rate hike during January-July 2023, the Central bank of UAE has kept its interest rate stable at 5.4% as of November 2023. With the UAE currency pegged to the U.S dollar, the CBUAE moves the interest rates in tandem with the U.S Fed. The Fed kept the policy rate stable in the target range of 5.25-5.5% in the previous two meetings held in September and November, following a string of 11 rate hikes, including four in 2023. The existing rate is expected to be the terminal interest rate of the current cycle. The U.S Fed has indicated to keep interest rates higher for a longer period in the next year as it is unlikely that inflation in U.S might moderate to the 2% target level until 2025. According to the projections by the Fed policymakers, the central bank is expected to maintain the policy rate in its current range until H1 2024. Currently, the market is pricing in a 100-bps rate cut in H2 2024. The higher interest rate environment in H1 2024 might weigh down on the demand for mortgage loans.

## UAE Policy Rate (Overnight deposit facility Rate, %)



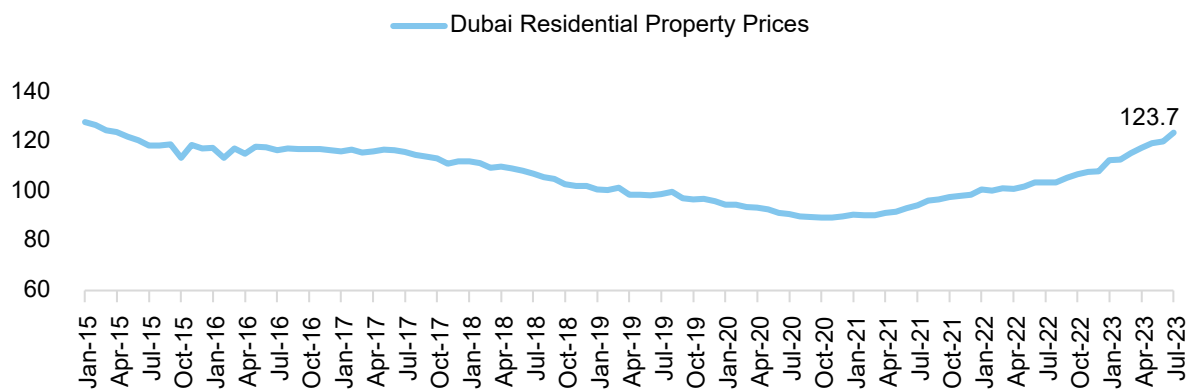
Source: Refinitiv

## 3. UAE Property Performance

### a. Rising property prices

Property prices in the UAE began their upswing in H2 2021 and continued to rise in Q3 2023 despite global macroeconomic headwinds. In the year to September 2023, average residential prices in Dubai rose by 19.6%. Abu Dhabi’s average apartment prices grew by 0.9% during the period.

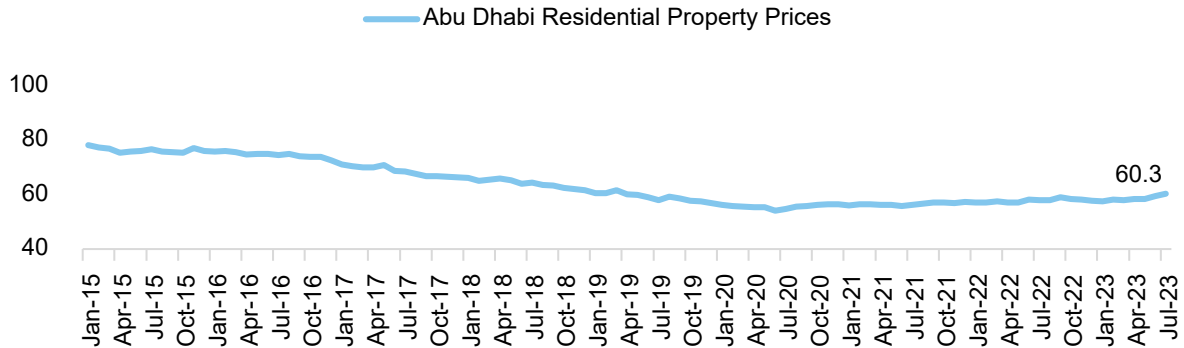
### Dubai Real Estate Price Index (2009 Index value = 100)



Source: BIS

The Dubai Residential price index continued to surge in Q2 2023 and reached a reading of 123.7 in July 2023, the highest since 2019. In the year to September 2023, average apartment and villa prices in Dubai increased by 19.7% and 18.9%, respectively.

### Abu Dhabi Real Estate Price Index (2009 Index value = 100)



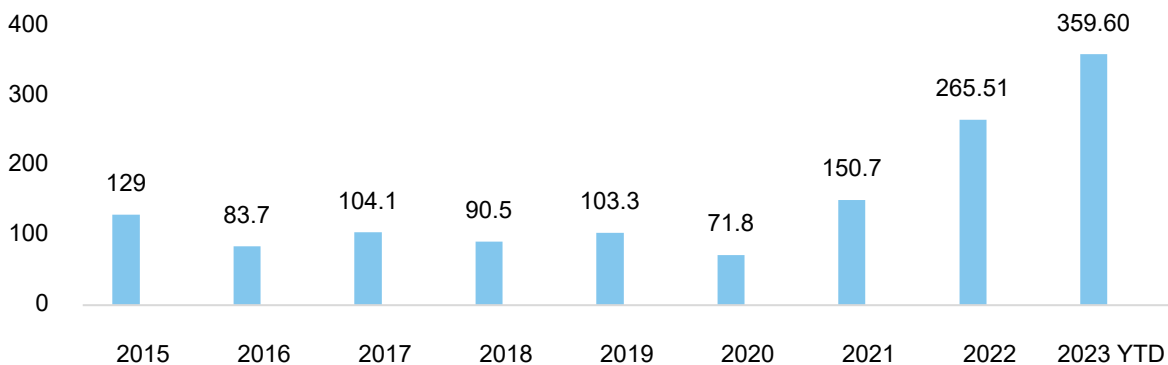
Source: BIS

As compared to Dubai, the growth in Abu Dhabi residential price index has been moderate. In the year to the third quarter of 2023, average apartment prices in Abu Dhabi increased by 0.9%, while average villa prices marginally dropped by 0.1%.

#### b. Real Estate Transactions record strong surge.

In Q3 2023, the Dubai real estate market witnessed continued resilience, defying the typical summer season slowdown. The market recorded a 22% surge in transactions, with Q3 2023 observing 31,216 transactions, compared to 25,503 during the same period in 2022. The total value of transactions reached AED 97.55 billion, marking a 40% increase from AED 69.5 billion in Q3 2022. The value of real estate transactions between January and September 2023 in Abu Dhabi reached AED 67.76 billion (USD 18.5 billion), up by 56% y/y. A total of 16,170 transactions, which include the sale and purchase of properties, as well as mortgages, were recorded during the same period, up by 36% from a year earlier. In Abu Dhabi, the total volume of residential transactions rose by 84.3% y/y to 2,930 in the three months to the end of September, driven by a 101.6% growth in off-plan sales and a 46% increase in secondary sales, according to CBRE.

#### Dubai, Value of Transactions (AED billion)

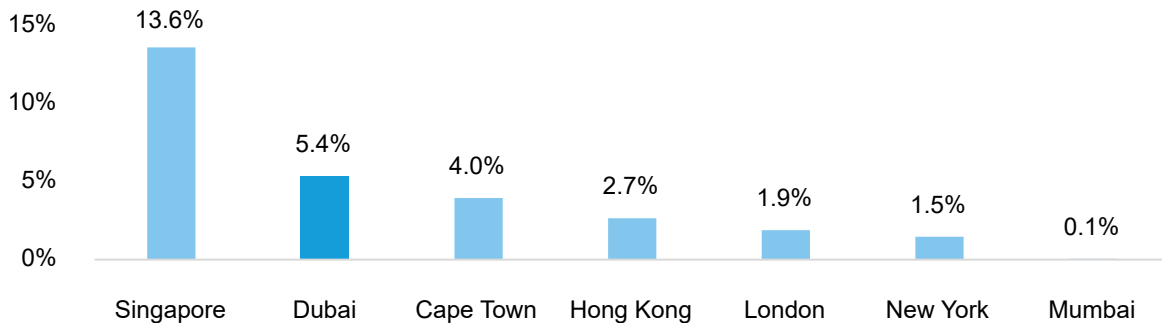


Source: Dubai Land Department; YTD transactions as of 23/11/2023

### c. Attractive Rental Yields & Affordability

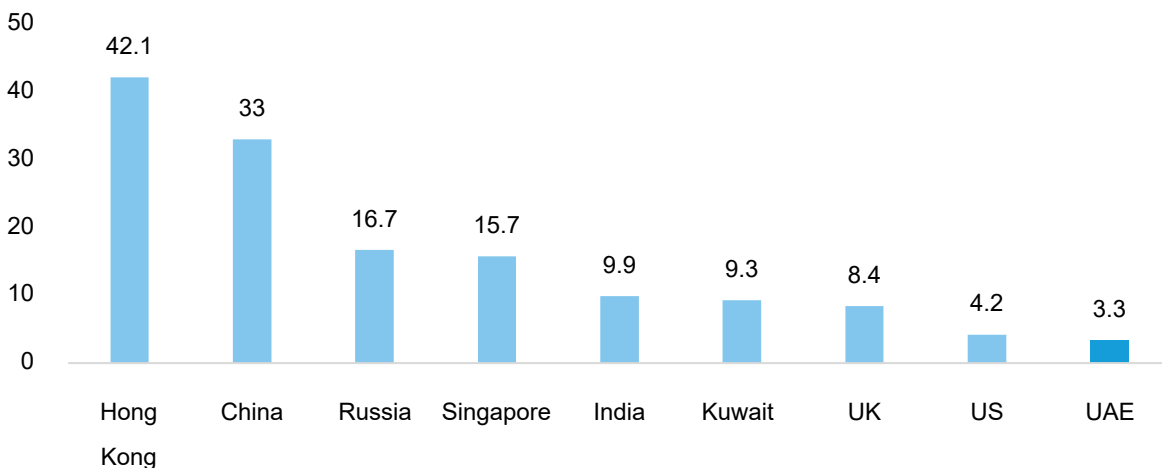
Attractive rental yields offer a constant stream of income for investors. Dubai posts high rental yields when compared globally. The rental yields in Dubai have grown by 5.4% in H1 2023. High rental yields attract investors who prefer a steady stream of income. Along with an increase in property prices, rental yields can contribute significantly to an investor’s ROI. Dubai’s rents have continued to grow with the prices. The surge in rents could be attributed to the rise in the inflow of UHNWIs from various countries, indicated by the growth of branded residences in the city, a segment especially appealing to an international consumer base. Rents in Dubai are expected to remain stable in H1 2024, sustaining their attractiveness among investors.

#### Savills World Cities Index Rental Value Change between Dec 2022-June 2023 (%)



Source: Savills Research

#### Residential Market Price-to-Income Ratio (Years)



Source: Numbeo; Ratio of median apartment prices to median familial disposable income has been expressed as years of income

UAE also scores relatively high on affordability measures, when compared globally. The country has a relatively lower price to income ratio compared to similar markets. Affordability along with stable income stream on the back of stable rental yields makes UAE real estate market an attractive investment for value investors.

#### d. UAE Office Real Estate – Positive outlook

Average occupancy rate in Dubai's office segment rose to 92.4% in Q3 2023, up from 86.9% in Q3 2022.<sup>1</sup> Although majority of demand for Abu Dhabi office sector continues to originate from the government-related entities, Q3 2023 witnessed rising demand from private sector entities, especially legal and financial services entities.

### New Construction and Rentals

- In Q3 2023, Dubai recorded 26,568 new rental contracts and 9,254 lease renewals, marking a rise of 50.1% and 19.2% respectively over the same period last year. In Q3 2023, the total number of new registrations grew by 25.2% y/y while renewed contracts declined by 9.9% y/y in Abu Dhabi.<sup>2</sup>
- In the year to Q3 2023, rents for Grade A offices in both Dubai and Abu Dhabi increased 14.4% and 8.6% respectively.<sup>3</sup>
- In the year to Q3 2023, average rents for Prime, Grade B and Grade C offices in Dubai went up by 10.7%, 20.1% and 30.0% respectively. In Abu Dhabi, average Prime and Grade B segment rents rose by 7.0% and 13.0% respectively over the same period.

### Outlook

- The limited supply of quality stock coupled with mounted demand is expected to drive the rental prices up in the office segment in both Dubai and Abu Dhabi markets.
- The demand for flexible and fitted office spaces is likely to witness improved traction in the Dubai and Abu Dhabi given the cost-effective and flexible solutions provided. Serviced office providers are also expanding their operations in Abu Dhabi on the back of the increased levels of demand for flexible spaces, especially from new market entrants.

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<sup>1</sup> CBRE Research

<sup>2</sup> CBRE Research

<sup>3</sup> CBRE Research



- Owing to the shortage of supply in the future and limited new developments in the pipeline, we anticipate potential tenants to face competition and the office segment to be landlord-favoured in the short term.

#### e. UAE Residential Apartment Real Estate – Optimistic outlook

Despite elevated levels of demand, rental market in Dubai is slightly moderating. Average residential rents in Dubai grew by 20.6% in the year to September, down from 21.7% in the previous month. In September, Dubai residential market recorded 7,523 transactions, down by 8.3% on y/y basis. Despite this monthly slowdown, in the year to September 2023, the total volume of transactions reached 87,163. However, we expect rental market in Dubai to remain relatively stable in H1 2024. In Abu Dhabi, the total volume of residential transactions rose by 84.3% y/y to 2,930 in the three months to the end of September.

#### New Construction and Rentals

- In the year to September 2023, average apartment prices had increased by 19.7% and villa prices grew by 18.9% in Dubai. In the year to Q3 2023, average apartment prices in Abu Dhabi increased by 0.9%, while average villa prices marginally dropped by 0.1%.<sup>4</sup>
- In terms of supply, in the year to date, 27,095 residential units are estimated to have been delivered in Dubai. A further 34,651 units are expected to be handed over the remainder of the year.
- On the supply front, a total of 2,262 units have been delivered in Abu Dhabi in the year to Q3 2023. Additional 3,521 residential units are scheduled for completion by the end of 2023.

#### Outlook

- The stable trend witnessed in the Dubai rental market is likely to continue in the near future despite mild moderation in rental growth in key residential communities and a portion of listings within these neighbourhoods reducing their asking rents.
- The escalating development costs and land prices are expected to induce real estate developers in Dubai to explore opportunities in secondary locations and expand their presence beyond the primary areas.

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<sup>4</sup> CBRE Research

- Abu Dhabi's residential market is anticipated to witness continued strong demand for new developments, especially within the investment zones, with a particular emphasis on townhouse and villa projects.

#### f. UAE Retail Real Estate – Continued momentum

The average rental rates rose by 5% y/y across primary and secondary malls in Dubai and Abu Dhabi during Q3 2023 owing to strong demand.<sup>5</sup> Approximately 18,000 sq. m. and 36,000 sq. m. of retail space was added during Q3 2023 in Dubai and Abu Dhabi respectively.<sup>6</sup> Apart from the increased demand from Food and Beverages sector, Dubai's retail segment witnessed increased demand from global and international food brands.

#### New Supply & Rentals

- In the year to Q3 2023, the number of lease rental contracts in Abu Dhabi totalled to 6,990, registering a marginal decline of 1.4%. However, new rental contract registrations grew by 21.2%, whereas renewed contract registrations declined by 10.7% over the same period.
- In Dubai, the total number of contracts recorded reached 17,495 in Q3 2023, rising 10.7% y/y. This growth has been supported by a 17.9% y/y increase in renewed registrations, albeit new contracts registered marginally dropped by 0.8% y/y.
- In the year to September 2023, average rents in the retail segment rose by 16.9% and 36.8% in Abu Dhabi and Dubai respectively.

#### Outlook

- We expect Dubai's retail market to continuously evolve as mall managers have been proactive in reconceptualising areas with limited footfall, converting them into service hubs that offer a range of amenities such as clinics, gyms, and co-working spaces.
- Growth in Abu Dhabi's retail segment is expected to be supported by pent-up demand and rise in tourism activity. Mall operators are revitalising existing retail developments by introducing new concepts in food and beverage, leisure, and entertainment sector.

<sup>5</sup> Primary Malls are the best performing malls with highest levels of turnover. Secondary Malls are the average performing malls with lower levels of turnover

<sup>6</sup> JLL

- The retail rental market is expected to continue its upswing in the next quarter owing to skewed demand for quality assets, particularly within core and primary locations and supply shortages.
- The UAE retail segment is expected to be landlord-favoured with landlords are becoming more selective in tenant choice and less flexible in lease negotiations, extending fewer incentives.

#### g. UAE Hospitality Real Estate – Sustained growth in H1 2024

The UAE hospitality sector observed increased visitations in Q3 2023 supported by the robust growth in the inflow of tourists. In the year to August 2023, Dubai recorded a total of 11.1 million international visitors, marking a rise of 21.7% y/y and 2.3% increase from the 2019 pre-pandemic figures. In the year to August 2023, the number of hotel guests in Abu Dhabi reached 2.9 million, registering an increase of 33.0% on y/y basis, with significant contributions from Indian, British, and Egyptian nationals.

#### Supply & Occupancy

- The city-wide occupancy rate in Dubai increased to 76% in the year to August 2023. Although the average daily rates (ADR) experienced a decline for the same period, the strong influx of incoming tourists resulted in the moderate increase of 1% in revenue per available room (RevPAR).<sup>7</sup>
- For the year to August, Abu Dhabi recorded a 24% increase in ADR compared to the previous year. Similarly, RevPAR experienced a significant increase of 27% during the same period.
- During Q3 2023, around 400 hotel rooms were added in Dubai, raising the total hotel stock to 152,000 rooms. In contrast, Abu Dhabi did not witness any new hotel openings, resulting in a total stock of approximately 32,500 rooms.

#### Outlook

- Over the remaining part of the year, an additional 6,000 rooms are expected to be added in Dubai and 200 rooms in Abu Dhabi. UAE Hospitality sector is anticipated to witness continued upswing in the last quarter of the year, given

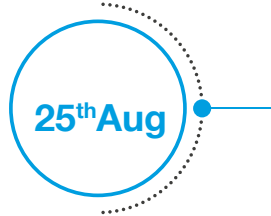
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<sup>7</sup>JLL

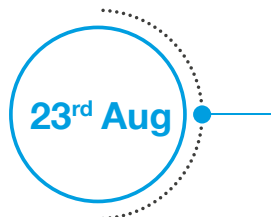
the start of the winter season and a number of upcoming key events, such as the Abu Dhabi F1 Grand Prix and COP-28 conference in Dubai. We expect the trend to continue in H1 2024 as UAE is anticipated to keep hosting such events. The country's sustained growth in tourism sector is likely to positively impact the Key Performance indicators (KPIs) of the hospitality segment.

## 4. Major Reforms/Events in H1 2024

### UAQ Ruler issues six laws to regulate real estate sector in emirate



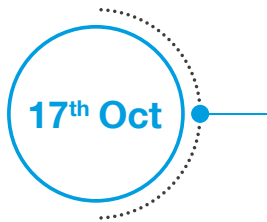
- UAE issued several laws that aim to develop real estate growth across the sector and keep pace with the emirate's urban development drive. Law No. 2 of 2023 provides for the establishment of the Interim Real Estate Register of Umm Al Qaiwain and the regulation of property registration activities in the emirate. Law No. 3 of 2023 is concerned with regulating real estate development activities in the emirate, the pricing of all real estate projects, and providing real estate escrow accounts, in line with regulations that ensure protecting the rights of investors, real estate companies and property developers. Law No. 4 of 2023 concerning amendments to Law No. 3 of 2007 on real estate escrow accounts in Umm Al Qaiwain, sets out guidelines to help better regulate real estate sales transactions and ensure the compliance of all involved parties with the regulation issued by the Real Estate Foundation. Law No. 5 of 2023 provides for the regulation of mortgage registration activities through the Umm Al Quwain Municipality Department, as per the regulations issued by the Central Bank of the UAE, and the settlement of issues and violations related to unregistered mortgages. Law No. 6 of 2023 is concerned with protecting the rights of investor in cases of delays or hurdles in real estate development projects, as well as ensuring such projects are completed, when possible. It also provides for establishing a special committee to handle issues related to cancelled and incomplete real estate projects. Finally, Law No. 7 of 2023 concerning amendments to Law No. 2 of 2005 on the regulation of real estate brokerage activities in the emirate sets out legislation and guidelines to regulate all brokerage activities.



### Dubai property market set for 'year of Chinese investors' in 2024

- According to experts, Chinese buyers are returning to Dubai's property market in increasing numbers. Pressure on the property market in their home country and relaxation of travel restrictions are driving Chinese investors to return to the Dubai property market Chinese investments into projects by Emaar Properties roughly doubled to

comprise 7% of total sales in the first half of 2023, from about 3-4% in the same period a year earlier, according to the company. According to Driven Properties, a Dubai-based company with offices in China, property investments from Chinese buyers is expected to grow to nearly Dh2 billion in 2023 from Dh721 million last year. Experts project 2024 will be the year of Chinese property investors, especially in the luxury segment of the market.



#### The Rental Disputes Center launches 'Metaverse Litigation' and activates the 'Judicial Probe' service

- Dubai Land Department's Rental Dispute Center (RDC) is showcased its comprehensive and updated digital initiatives during its participation at GITEX Global 2023, one of the foremost exhibitions dedicated to information technology. GITEX took place at the Dubai World Trade Centre from 16 to 20 October. Participating as part of the Digital Dubai Pavilion, stand no. 2, RDC launched its 'Metaverse Litigation', a groundbreaking virtual platform pioneering the use of metaverse technology for real estate litigation sessions. The goal is to offer a distinctive and innovative approach to resolving rental disputes, delivering a better experience to all stakeholders. Additionally, RDC presented the GITEX attendees with the innovative 'Judicial Probe' service. This groundbreaking concept, now accessible via the new website, constitutes an integrated court that harnesses the power of AI to offer the complete portfolio of the center's litigation services. Through this system, a litigant can initiate a case, such as filing an eviction case due to non-payment of rent, and receive a ruling within minutes, all without judicial intervention. This initiative aligns with the government's directives to leverage artificial intelligence across offered services.

## *5. UAE Real Estate – Recent Major News*

### Dubai real estate market booms: New projects gain momentum as new buyers flock in

New project launches in Dubai are witnessing strong momentum as developers are increasingly looking to tap new buyers – both residents and foreigners. The new launches are coming up from both local property developers and international developers foraying into the local market as Dubai strengthens its position as a mature and stable market with steady and high returns. According to Property Monitor, the

total volume of sales transactions increased 8.1% m/m, reaching a total of 12,134 and marking the highest volume ever for the month of August. Average monthly transaction volumes for 2023 have exceeded any previously recorded figures, setting the market on track to outperform the highest-ever annual sales record established in 2009. All these strong figures are encouraging developers to launch new projects as demand for the foreseeable future looks promising and most of the developers are successfully selling out their projects within months. In fact, some developers claim to have sold around 30% of their units even before the launch of the project.

### Dubai's luxury property market soars, powered by record-breaking penthouse deals

The high-end luxury segment has been driving the unprecedented demand for Dubai's property market in the post-pandemic period. Prices have reached record levels in the past two years, with high net-worth individuals from new markets such as Western Europe and the US clustering to cash in on the lower rates and high returns. The penthouses in Dubai recently set the tone for the growth of uber-luxury property, with one of the units in Bugatti Residences by Binghatti reaching Dh750 million as wealthy individuals have been actively scouting for safe havens that can safeguard and enhance their investments, providing them and their families a truly world-class lifestyle, high-quality education and other facilities. Apart from high-net-worth individuals and entrepreneurs, institutional investors, and family property funds are driving demand for luxury properties of over Dh20 million, resulting in a shortage of available units for both end-users and investors in the market.

### Dubai commercial property sees high demand

The Dubai real estate market is experiencing a significant shortage of A-grade quality properties in prime locations. This scarcity of supply has been further exacerbated by the limited number of properties entering the market. As a result, the demand for high-quality commercial spaces far outweighs the available inventory. Notably, the ongoing trend of a growing number of trade licenses being issued in Dubai has contributed to the surge in demand for commercial properties. The emirate's reputation as a global business hub, coupled with its business-friendly environment and strategic geographic location, continues to attract entrepreneurs, startups, and established enterprises seeking to establish a strong presence in the region. Given the prevailing market conditions, we anticipate that the demand for commercial properties in Dubai will persistently outpace the available supply in the foreseeable future. As a result, investors and businesses looking to secure prime commercial spaces should act with foresight and engage in strategic decision-making to capitalize on the lucrative opportunities available in this thriving market.

## 6. Markaz Real Estate Outlook Index

‘Markaz Real Estate Macro Index’ helps investors in identifying the current state of real estate market using a list of economic indicators such as Oil and non-Oil GDP growth, inflation, new jobs generated etc.

The past seven years data along with estimates for 2023 and forecasts for 2024 were considered and a qualitative rating (strong, moderate, neutral, subdued & poor) was assigned considering the historical information and the current environment.

For each of the qualitative score, a quantitative score was assigned with ‘Strong’ being assigned a top score of ‘5’ and ‘Poor’ assigned a value of ‘1’. A weighted average score was computed based on the weights as provided in the below table.

**Macro-Economic factors that matter**

Economic Factors	Weightage Assigned	Rationale
GDP Growth (Oil & Non-Oil)	25%	Strong economic activity bodes well for real estate. Higher economic growth usually leads to demand for commercial real estate and growing incomes would spur activity on the residential segment.
Fiscal Position	10%	Expansionary fiscal policy signifies the active role of government to support the economy through increased investments. A positive for real estate and government spending entails improvement to physical & social infrastructure and unlocks the value of nearby lands.
Investments	10%	Investment serves as a proxy for project activity and infrastructure development that shall directly stand to influence the real estate markets through job creation and increased economic activity.
Money (M2) Supply Growth	10%	Higher growth in money supply is a leading indicator of economic activity.
Inflation	15%	Real estate acts as a natural hedge against inflation, as rents typically increase during times of inflation. Strong, stable inflation is generally positive for real estate.
Interest Rate	10%	Increase in interest rates translate into higher borrowing costs and could lower demand for real estate. It also impacts consumers’ inclination to spend.
Population Growth	10%	Increasing population is directly related to real estate growth and residential demand
Jobs created	10%	Number of jobs created serves as a useful indicator for real estate demand.

Source: Marmore research



The state of real estate market was categorized into four distinct phases based on the score as below:

### Market Phases

Macroeconomic Scores	Score Interpretation
4.4 to 5.0	Market is at peak, slowdown ahead
3.5 to 4.3	Market is accelerating
2.8 to 3.4	Market is recovering & gathering pace
Less than 2.8	Market is falling

Source: Marmore research

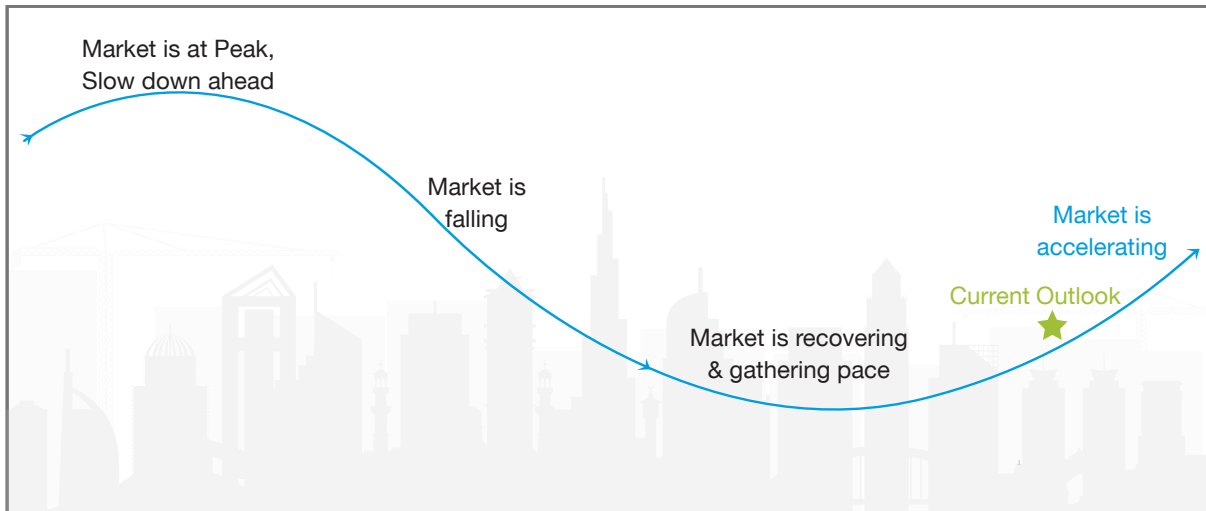
### UAE Macro-Economic Factor Assessment

Economic Factors	2019	2020	2021	2022e	2023f	2024f	Qualitative Take	Quantitative Score
Oil (Real) GDP Growth	2.6%	-3.8%	-1.1%	9.5%	1.3%	3.8%	Moderate	4
Non-Oil (Real) GDP Growth	3.8%	-5.4%	6.5%	7.2%	4.2%	4.1%	Moderate	4
Fiscal Balance, % of GDP	0.4%	-2.5%	4.0%	9.9%	5.1%	4.4%	Moderate	4
Investments (as % of GDP)	24.1	23.3	25.8	23.8	25.9	26.1	Moderate	4
Money Supply, M2 (YoY)	8.0%	4.6%	5.7%	9.0%	8.8%	7.1%	Moderate	4
Inflation	-1.9%	-2.1%	-0.1%	4.8%	3.1%	2.3%	Moderate	4

Economic Factors	2019	2020	2021	2022e	2023f	2024f	Qualitative Take	Quantitative Score
Interest Rate	2.5%	0.9%	0.4%	1.9%	5.1%	5.1%	Neutral	3
Yearly Population Growth	1.5%	-2.3%	3.0%	3.2%	2.0%	1.8%	Neutral	3
Job creation ('000)	75	12	-29	117	79	80	Moderate	4
							<b>Overall Score</b>	<b>3.8</b>

Source: Refinitiv, IMF, Marmore

### Markaz Real Estate Outlook based on Macro Economic Indicators



Source: Marmore Research

Note: Grey colored box indicates the current outlook of the real estate market

While the broader outlook that the real estate market is accelerating remains consistent with our earlier view, sustained economic growth on the back of stability of non-hydrocarbon sector and moderating inflation have resulted in slightly higher quantitative score compared to our previous outlook edition.

### UAE Markaz Real Estate Macro Index Scores (2023-2024)

Macro indicators	H1 2023	H2 2023	H1 2024
Oil Real GDP Growth	5	4	4
Non-Oil Real GDP Growth	4	4	4
Fiscal Balance	4	4	4
Investments	4	4	4
Money Supply, M2 (YoY)	4	4	4
Inflation	3	4	4
Interest Rate	2	3	3
Population growth	3	3	3
Jobs created	4	4	4
<b>Overall Score</b>	<b>3.7</b>	<b>3.8</b>	<b>3.8</b>

Source: Marmore research

## Conclusion

The UAE real estate market has sustained the growth witnessed in H1 2023 during Q3 2023 as well supported by steady economic growth and strong demand. The volume and value of real estate transactions continued to surge in the third quarter in both Dubai and Abu Dhabi. The residential sector recorded strong growth driven by demand for luxury residences. Rents in the residential segment showcased an uptrend in Q3 2023, with rents expected to remain stable in H1 2024. The office sector has recorded sharp growth and fueled real estate growth in UAE during the quarter. Rents have surged during the period, with increased demand from the private sector as well. The retail sector experienced stable growth owing to higher demand from international players and a shortage of stock in prime locations. The hospitality sector has also performed well, supported by the rise in tourist arrivals in the UAE.

The country's real GDP is expected to grow at a rate higher than witnessed in 2023 during 2024 supported by rise in oil output and steadfast growth in the non-oil sector. However, geopolitical uncertainties and concerns over global oil demand weigh down on the economic outlook for UAE. The expected positive momentum in the real estate sector during H1 2024 correlates with the forecasts for strong economic growth. Despite the macroeconomic headwinds, UAE's fiscal and current account position are expected to remain positive and support economic growth. The rise in non-oil revenue owing to the implementation of the corporate tax is anticipated to support government spending to boost the non-oil sector. Following the increased investment in the infrastructure and real estate sectors, including residential, hospitality, mixed-use, and commercial real estate, the UAE's construction market size is expected to grow by an average annual growth rate of 3% between 2024 and 2027. The rise in project awards due to the strong performance of the real estate sector is expected to create higher job opportunities in the near term. The CBUAE is expected to maintain interest rates at the current levels till H1 2024 and implement rate cuts in H2 2023 in line with the U.S Fed. The higher interest rates could impact the consumer demand.

Residential real estate is expected to witness an uptick in H1 2024 driven by surge in demand for luxury property. Over a five-year period, the number of sales of USD 10 million plus homes in Dubai has risen 17-fold. The value of sales of USD 10 million plus properties rose to USD 3.1 billion in the first half of 2023, from USD 3.9 billion raised in the whole of 2022. Surge in demand for flexible office spaces and shortage of quality stock is expected to drive the segment up in H1 2024. Hospitality real estate is expected to record strong KPIs in 2024 owing to the boom in the tourism sector of the UAE. Reforms permitting 100% foreign ownership, ease of business policies and lower income taxes coupled with strong levels of inbound investment levels favor the real estate sector growth.

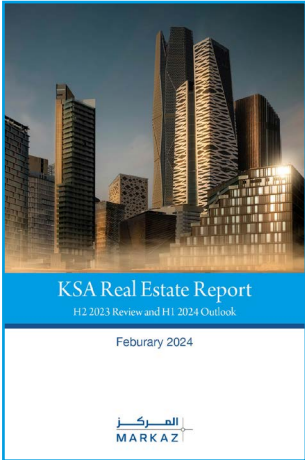
Sustained economic growth has led to stability in scores compared to previous outlook editions. Based on our assessment of various macroeconomic factors – non-oil sector GDP growth, fiscal surplus and investments, we believe that the real estate sector in UAE is expected to accelerate at a stable pace in the first half of 2024.

## Summary – UAE Markaz Real Estate Macro Index

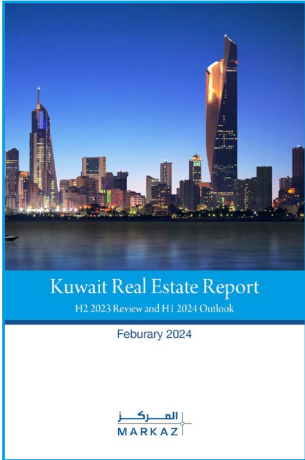
Macro indicators	Future Outlook (2024 & beyond)	Quantitative Score
 Oil Real GDP Growth	Moderate	4
 Non-Oil Real GDP Growth	Moderate	4
 Fiscal Balance	Moderate	4
 Investments	Moderate	4
 Money Supply, M2 (YoY)	Moderate	4
 Inflation	Moderate	4
 Interest Rate	Neutral	3
 Population growth	Neutral	3
 Jobs created	Moderate	4
<b>Overall Score</b>	<b>Market is accelerating</b>	<b>3.80</b>

Source: Marmore Research

*What reports to expect soon?*



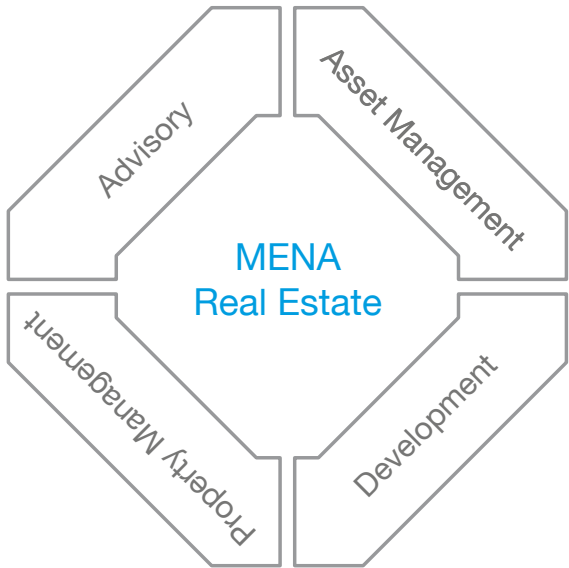
**KSA Real Estate Report  
H2 2023 Review and H1 2024 Outlook**



**Kuwait Real Estate Report  
H2 2023 Review and H1 2024 Outlook**

*Markaz Real Estate Capabilities: Management Team*

With a team of 27 professionals, Markaz MENA Real Estate provides a fully integrated insights and services to managing real estate funds



**Team of 27**

- Investment
- Project Management
- Financial Management
- Administration

**Kuwait HQ**

- Riyadh KSA - 2006
- Khobar KSA - 2006
- Abu Dhabi - 2010
- Dubai - 2014

**Markaz provides great value through:**

- Governance
- Experience
- On the ground presence
- Hands-On approach
- Developed Systems covering
  - Operations,
  - Maintenance,
  - Financial management, &
  - Administration
- Software Support





# Invest in Markaz Real Estate Fund

The internal rate of return:

**7.48%**

Average annual distribution since inception:

**5.06%**

## Fund Performance

Total Return (Jan 03 - Dec 03)	17.80%
Total Return (Jan 03 - Dec 05)	40.20%
Total Return (Jan 06 - Dec 08)	32.10%
Total Return (Jan 09 - Dec 11)	4.60%
Total Return (Jan 12 - Dec 14)	21.10%
Total Return (Jan 15 - Dec 17)	2.10%
Total Return (Jan 18 - Dec 20)	2.70%
Total Return (Jan 03 - Sep 23)	164.54%
Capital Gain since Inception	25.67%
Income Distribution since Inception	139.68%
Total Return Annualized	6.33%
Average Annual Yield (Cash)	4.58%
Volatility (3 year)	1.66%

The Markaz Real Estate fund, established in 2002, is considered the first open-ended real-estate investment fund in Kuwait, and stands as a testament to Markaz's innovation in the financial services field. This is reflected through the ongoing development of unique investment tools that cater to investors' needs. Markaz Real Estate Fund is Sharia compliant and aims to achieve stable and recurring returns, through investing in income generation properties in Kuwait.

### Important info:

- Fund manager: Kuwait Financial Centre K.P.S.C. Kuwait City, Al Mirqab, Al Soor Street, Burj Alshaya, Floor 8, Tel: +965 2224 8000, P.O. Box 23444, Safat 13095, State of Kuwait
- Fund Executive Committee Members: Bassam Al-Othman, Milad Elia, Khaled Al-Mubarak
- To get a copy of the Fund's Articles of Association, the subscription form, and the financial statement of the fund, please visit our website: [www.markaz.com](http://www.markaz.com)
- The Total Return consists of the Capital Gain and the Dividend Yield after deducting all fees and expenses

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