



UAE Real Estate Report

H2 2023 Outlook

June 2023

المركز
MARKAZ

Table of Contents

Executive Summary	3
UAE: Macroeconomic Update	6
a. Stable outlook for UAE Oil-GDP	6
b. Inflation remains moderate despite global economic fears	10
c. Rising interest rates could be a dampener	11
UAE Property Performance	12
a. Rising property prices	12
b. Real Estate Transactions record strong surge	13
c. Attractive Rental Yields & Affordability	14
d. UAE Office Real Estate – Positive outlook	15
e. UAE Residential Apartment Real Estate – Cautious optimism	16
f. UAE Retail Real Estate – Steady growth	17
g. UAE Hospitality Real Estate – Stable outlook for H2 2023.....	18
Major Reforms/Events in H2 2023	19
UAE Real Estate – Recent Major News	20
Markaz Real Estate Outlook Index	21
Conclusion	26

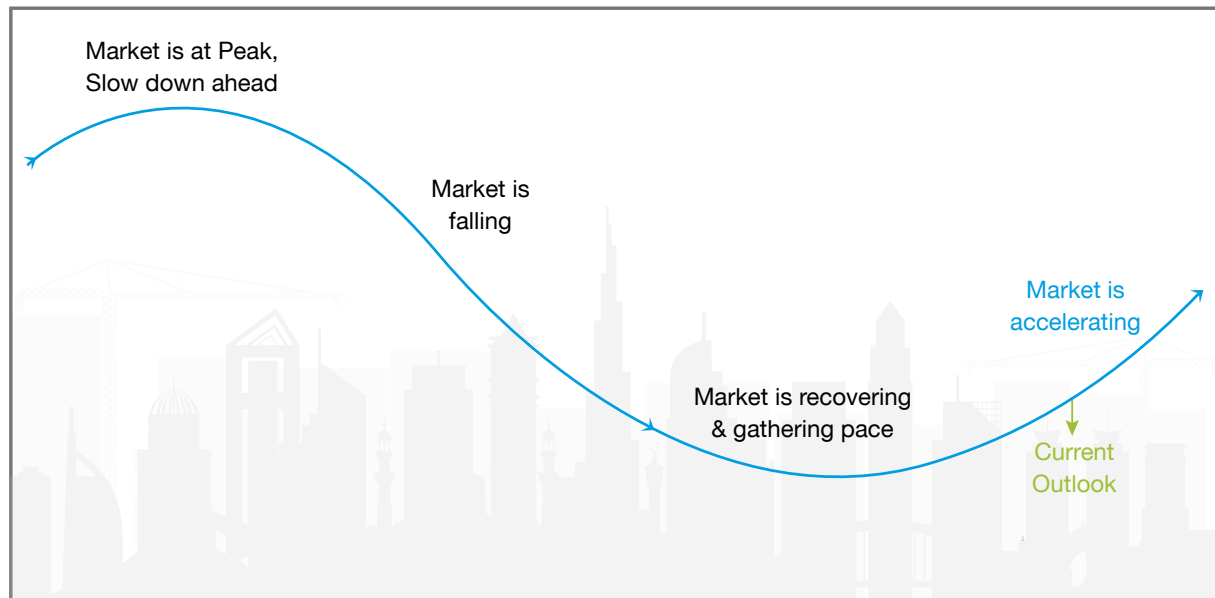
1. Executive Summary

- The UAE economy is anticipated to witness steady growth in 2023 and register a real GDP growth of 3.5% y/y, as projected by IMF. The growth would be underpinned by stable oil prices, expanding non-oil sector, government regulations promoting flow of FDI and an expected inflow of more expats into the country that will promote non-oil growth.
- Inflation in the UAE has been moderating since Q4 2022 owing to decline in prices of imported commodities (imported inflation) and mild rise in prices of transportation and food and beverages segment. CPI accelerated by 4.6% on y/y terms in Q4 2022, lower than the 6.5% y/y increase recorded in Q3 2022. Food inflation moderated from 8.5% in Q3 2022 to 7.1% in Q4 2022. 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 pause the interest rate hike cycle in H2 2023 considering the moderation of inflation and impact on the banking sector, with a mild chance of pivot in early 2024. Higher interest rates in UAE are expected to partly affect consumer spending and demand during H2 2023.
- Real estate sector in the UAE witnessed robust growth in 2022 and Q1 2023. Property prices in the UAE continued to rise in Q1 2023 despite fears of global economic slowdown. Average residential prices in Dubai surged by 12.8% during December 2022 to March 2023 while Abu Dhabi's average apartment prices grew by 1.4% during the period. In the year to Q1 2023, average rents for Prime, Grade B and Grade C offices in Dubai increased by 20.2%, 18.7% and 28.7% respectively. In Abu Dhabi, average Prime and Grade B segment rents surged by 19.1% and 10.7% respectively over the same period.
- Dubai's real estate market witnessed strong growth in Q1 2023, as value of transactions recorded an 80% increase, up from AED 87 billion in Q1 2022 to AED 157 billion in Q1 2023. Abu Dhabi's real estate sector recorded AED 16.2 billion (USD 4.4. billion) worth transactions in Q1 2023 compared to sales transactions worth AED 4.4 billion (USD 1.2 billion) for the same period last year, an increase of 268% y/y increase in terms of value. The surge was supported by the influx of high-net-worth individuals, and government efforts to diversify the sector away from oil.¹

¹BBC

- Despite fears of global economic slowdown, UAE economy is poised to grow at a stable pace supported by steady oil prices and government policies favoring the expansion of non-oil economy. Flexible visa policies and business policies allowing 100% foreign ownership augur well for the real estate sector. The residential and office real estate segments are anticipated to record a positive year owing to strong pent up in demand for quality stock coupled with limited supply. 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, albeit at a slower pace than 2022 in the second half of 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	Our View
 Oil (Real) GDP Growth	Moderate	Oil prices are expected to remain stable in H2 2023 and average at USD 73.13/bbl. supported by OPEC+ production cuts. UAE’s oil production capacity expansion and limited production cuts relative to Saudi Arabia and Russia could favor relatively stronger Oil GDP growth.

Economic Factors	Our take	Economic Factors
 Non-Oil (Real) GDP Growth	Moderate	Non-oil sector is anticipated to be relatively steady and record a growth rate higher than the anticipated growth in oil GDP. The moderate outlook correlates robust demand for real estate, construction, and tourism sectors in the economy.
 Fiscal Balance	Moderate	Although Fiscal surplus in 2023 is expected to fall from the highs of 2022, we expect strong non-oil growth coupled with stable oil prices to support fiscal revenues.
 Investments	Moderate	Flexible visa policies coupled with government measures to increase foreign direct investment and support business activity are expected to sustain the investment in the UAE.
 Money Supply, M2	Moderate	Despite CBUAE raising interest rates in line with U.S Fed owing to currency peg, inflation in UAE has been moderate. UAE is expected to have moderate inflation in 2023, which would support stable money supply and consumption.
 Inflation	Moderate	Inflation in UAE is anticipated to slowdown from 2022 levels owing to softer price increases in various segments, global disinflationary trend and modest rise in rents and wages in the economy.
 Interest Rate	Neutral	The U.S. Fed is expected to pause interest rate hikes in H2 2023, which could see CBUAE pausing rate hikes. A pivot remains unlikely until 2024 unless there is pressure in the U.S. financial system.
 Yearly Population Growth	Neutral	Population growth is expected to be steady in the near term. With regulations favoring inflow of expats, the population is expected to grow at a constant pace over a longer time horizon.
 Job creation	Moderate	Job creation in the UAE is anticipated to be sustained by the pickup in business activity and expanding non-hydrocarbon sector despite anticipated global economic slowdown.

Source: Marmore research

2. UAE: Macroeconomic Update

a. Stable outlook for UAE Oil-GDP

Oil prices continued to trend downwards during January-May 2023 averaging around USD 80.94/bbl., with relatively sharp price declines since April 2023. Concerns over oil demand from China, and possible recession in different economies resulted in the price dip. Fears about contagion effect of the failure of Silicon Valley Bank (SVB) and First Republic Bank and U.S debt ceiling issue further fueled the decline in oil prices. Moreover, oil flows from Russia have remained higher than expected, increasing global oil supply, and putting downward pressure on crude oil prices. Despite global economic headwinds, oil prices are estimated to remain stable in H2 2023 on the back of tightening supply from OPEC+. Saudi Arabia is anticipated to cut oil output by 1 million barrels per day (bpd) in July to limit supply. Russia has decided to voluntarily reduce production by 500,000 bpd until June 2023. EIA (Energy Information Administration) has predicted Brent crude oil prices to remain at USD 78.65/bbl. in 2023.

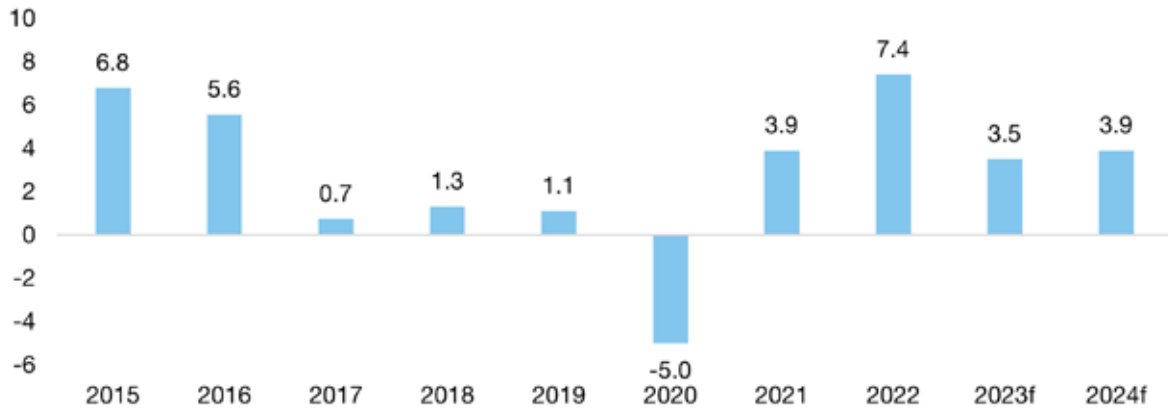
Month-End Brent Oil Prices (Jan 2015 – May 2023)



Source: Refinitiv

Global economic growth is expected to slow down declining from 3.4% in 2022 to 2.8% in 2023, with advanced economies witnessing a steeper slowdown in growth. The outlook is uncertain owing to the financial sector turmoil, high inflation, rising interest rates and prolonging Russia-Ukraine conflict. However, UAE economy is expected to be relatively stable in H2 2023, with growth driven by the non-hydrocarbon sector and stable oil prices.

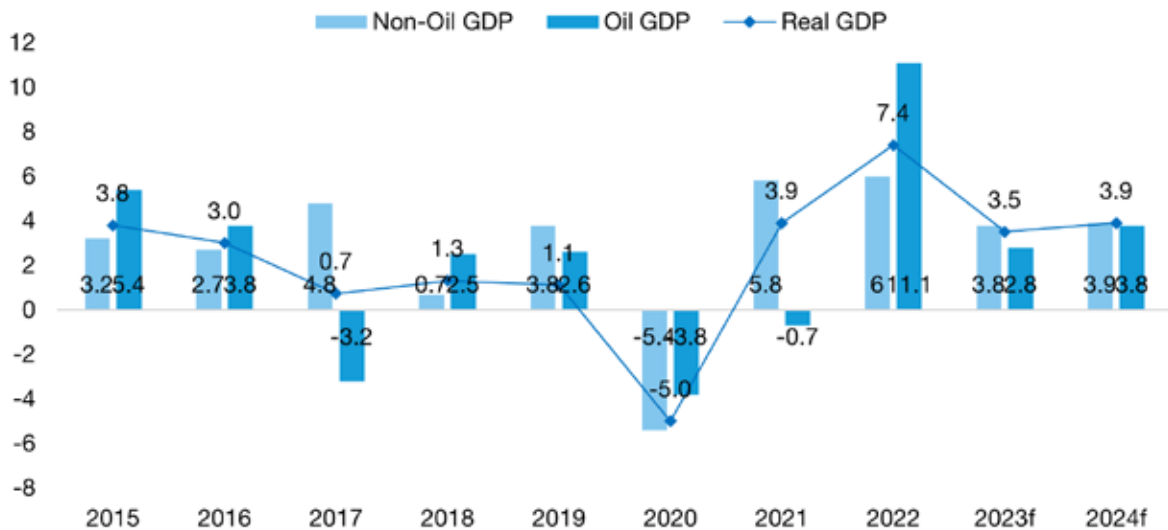
Economic Growth – UAE Annual Real GDP Growth (% change)



Source: IMF

UAE’s real GDP growth is expected to moderate to 3.5% in 2023, after growing by 7.4% in 2022, which was the highest since 2015. Global economic slowdown, declining oil production owing to OPEC+ production cuts, higher interest rates and subdued demand impacting the growth of non-oil sector underpin the downtrend in the UAE’s economic growth.

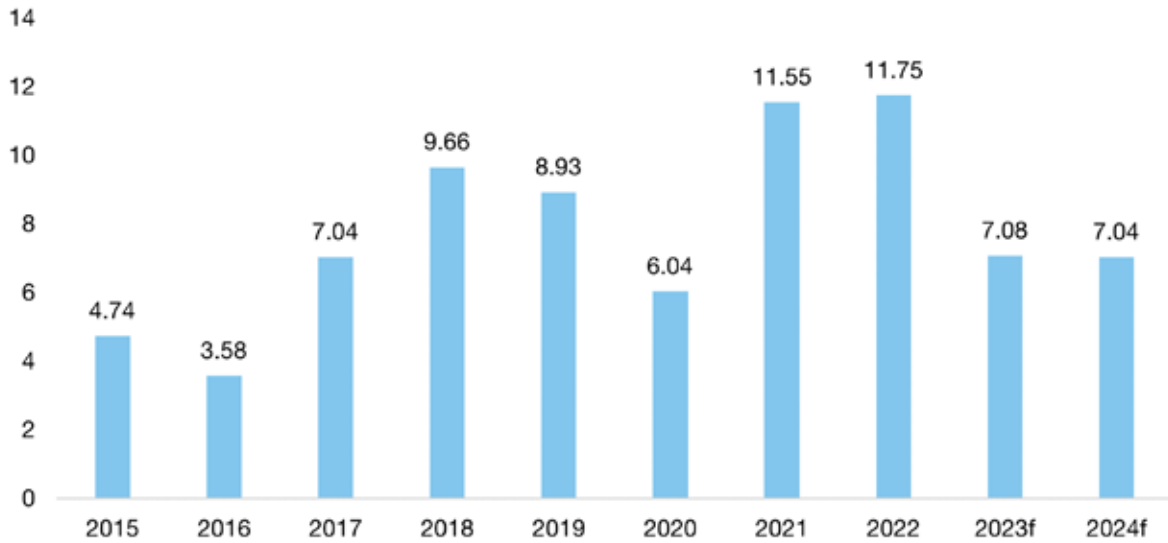
Oil and Non-Oil Real GDP growth (y/y %)



Source: REO, IMF – April 2023

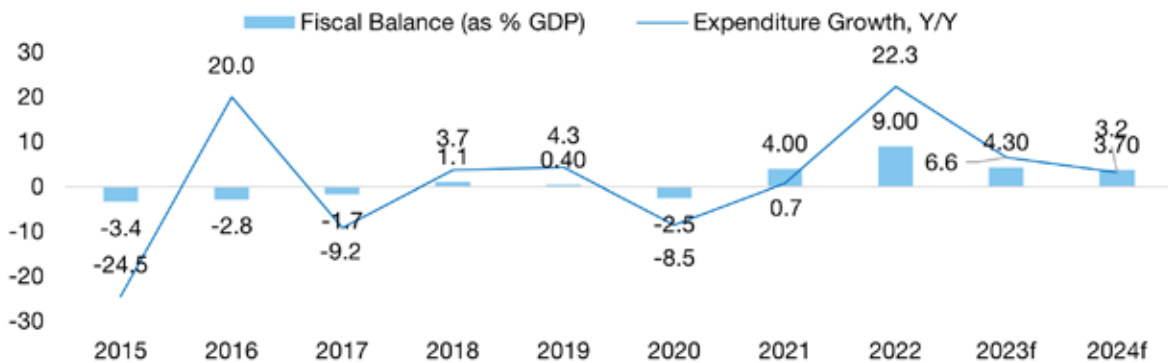
The UAE’s non-oil foreign trade reached a record high of AED 2.23 trillion in 2022, posting a growth of 17% over the same period in 2021. Despite fears of global economic downturn and monetary tightening by central banks, UAE’s non-oil trade is expected to remain relatively stable in H2 2023. The pent up in demand for real estate, tourism and construction sector is likely to bolster the non-oil sector of UAE.

Current account surplus (as % of GDP)



UAE is expected to record a current account surplus in 2023 on the back of stable oil prices and non-oil trade. However, the current account surplus is expected to decline from 11.75% of the GDP in 2022 to 7.08% of the GDP in 2023 owing to the anticipation of global economic situation that might likely slowdown the oil exports of Abu Dhabi and re-exports from Dubai.

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



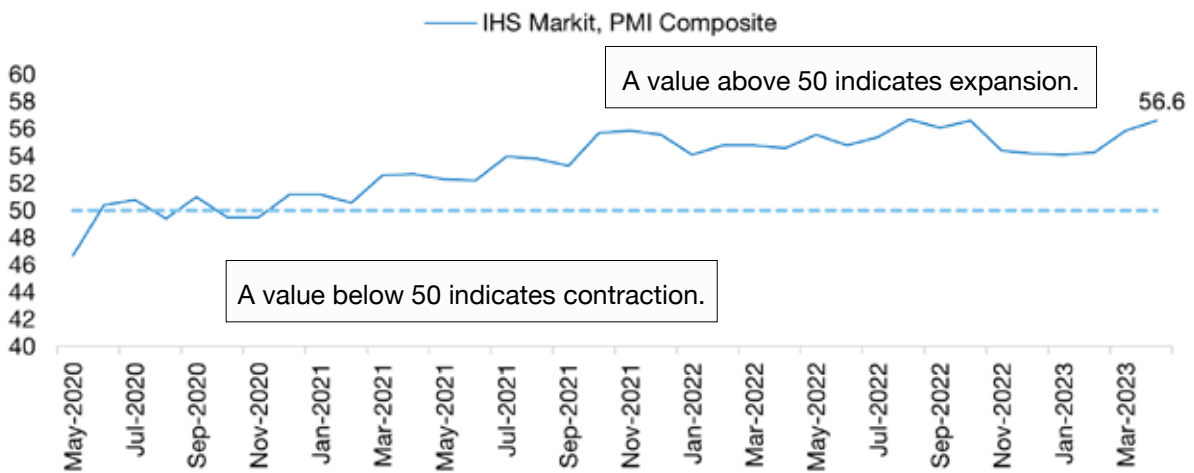
Source: IMF, Refinitiv

The fiscal surplus (as % of GDP) expanded from 4.0% in 2021 to 9.0% in 2022 supported by strong oil and non-oil revenue and favorable oil prices. However, the fiscal surplus is expected to decline in 2023 in line with the moderation in real GDP growth. Along with the fiscal surplus, total expenditure growth is estimated to soften to 6.6% in 2023 from 22.3% in 2022. For the fiscal year 2023, the UAE government has estimated expenses of AED 63.1 billion and is forecasted to record a fiscal surplus of AED 1.5 billion, which is 4.3% of the country's GDP.

Leading indicators portray an optimistic picture

Business expectations and activity continue to rise, indicating stronger expansion in the economy’s non-oil sector. The travel and tourism sector has been one of the major revenue drivers in UAE’s non-oil economy since COVID-19 pandemic. Tourism is expected to continue recovering and record a 20% increase in international visitors in 2023, surpassing pre-pandemic levels.

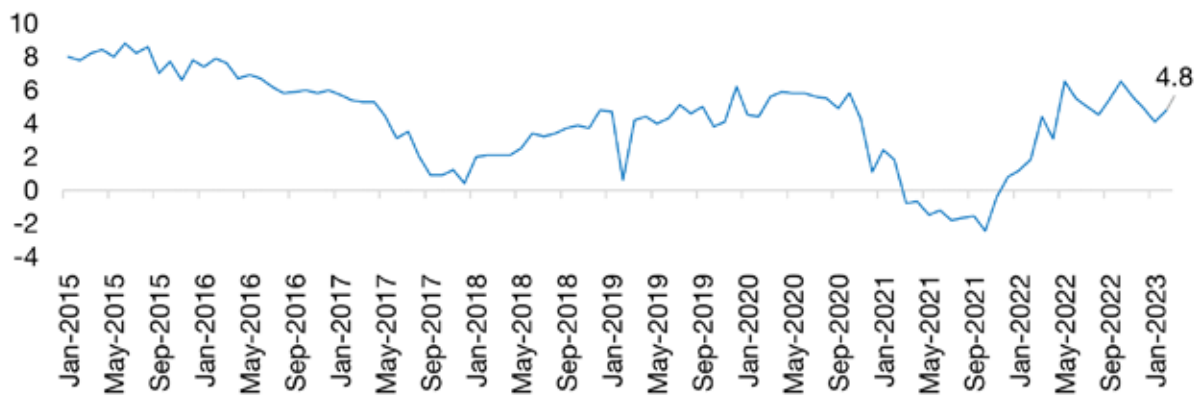
IHS Markit PMI Composite Index



Source: Refinitiv

IHS Markit UAE Purchasing Managers’ Index remained above the threshold level of 50 since 2021, indicating uptick in demand, expansion of business orders and rapid capacity improvements. In April 2023, new orders grew to their highest level since November 2021, fueled by strong sales performance and increased price promotions.

Banking, Loans & Advances (YoY change, %)



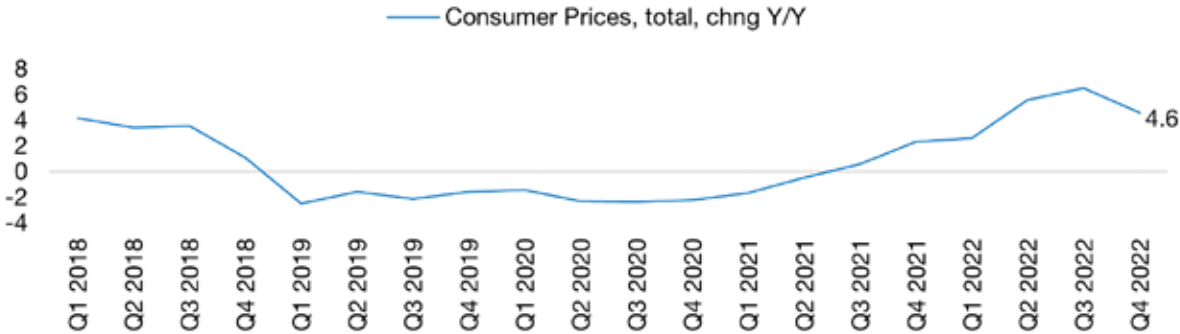
Source: Refinitiv

Credit growth in 2023 is expected to remain at levels witnessed in 2022 with a pause in policy rate hikes expected from the U.S. Fed. Credit growth averaged at 4.52% in 2022 and 4.45% in the first two months of 2023. On a year-on-year basis, growth in loans and advances peaked at 6.5% y/y by the end of May 2022 and dipped to 4.1% y/y at the end of January 2023 due to rise in interest rates. Credit growth is anticipated to remain relatively stable in H2 2023 as the country’s inflation is forecasted to moderate in H2 2023.

b. Inflation remains moderate despite global economic fears

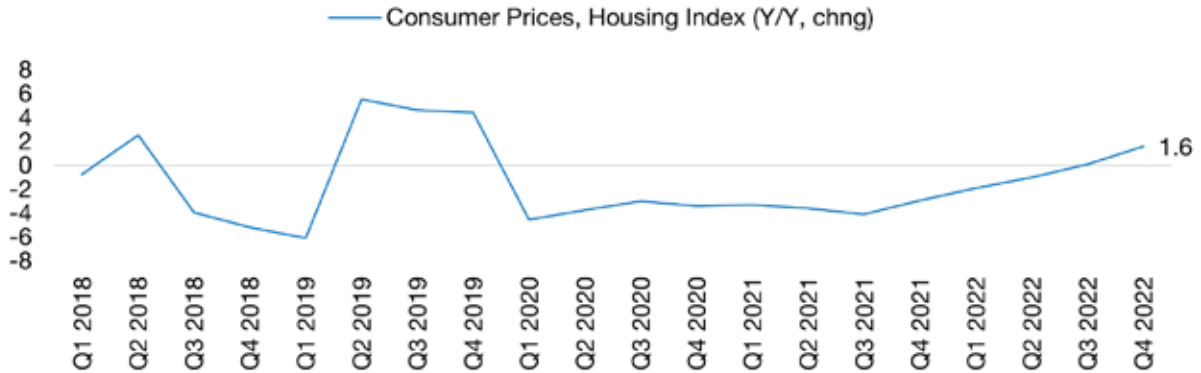
Unlike in the advanced economies, inflation levels in the UAE have remained in low single digits and have started to moderate from Q4 of 2022. CPI exhibited a 4.6% increase on y/y terms in Q4 2022, lower than the 6.5% y/y increase witnessed in Q3 2022. The decline in inflation levels was primarily driven by the transportation, food and beverages and recreation segment. Inflationary pressure in UAE is expected to decelerate further and average at 3.4% in 2023. The trend is led by stabilizing prices and the decline in global price levels. Moderate price increases in certain segments, especially rents and wages are expected to positively impact inflation levels. Interest rates hikes by the UAE in line with the US Federal Reserve have also helped rein in inflation in the country.

Consumer Price Index, Inflation (YoY change, %)



Source: FCSC

Consumer Prices, Housing Index (YoY change, %)



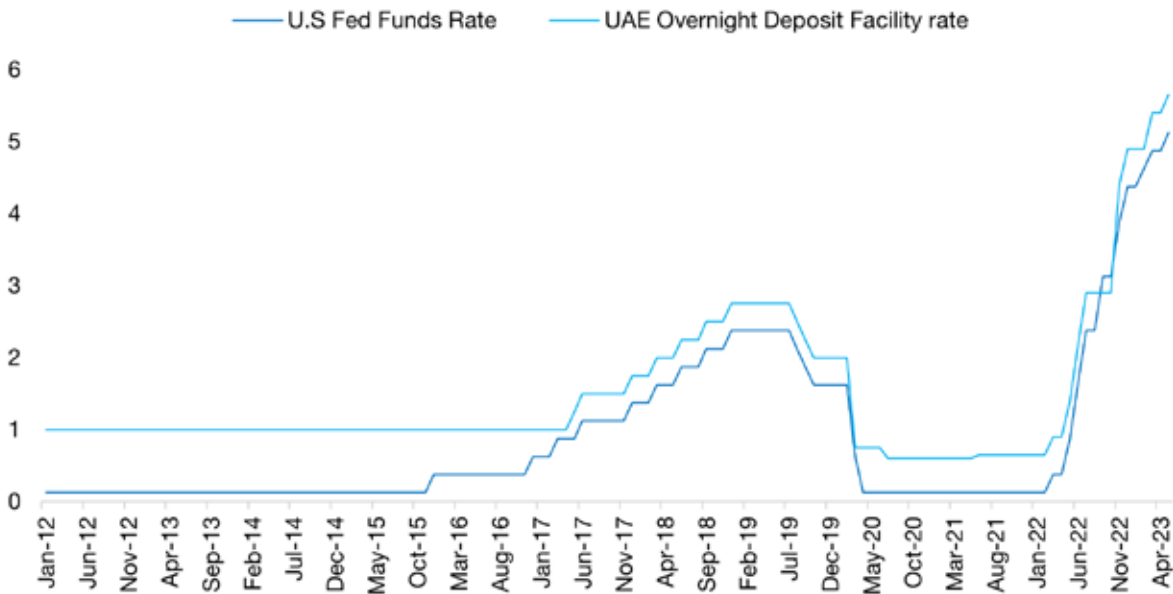
Source: Refinitiv

The housing component that accounts for approximately more than 1/3rd of the CPI has been in negative territory since 2017, with the trend reversing in Q3 2022. Real estate price trends are anticipated to remain in the positive region in H2 2023 as rental prices in Dubai and Abu Dhabi are set to accelerate at a stable pace yet lower than the rise in price levels in 2021 and 2022. Generally, the impact of rise in rents reflects in the housing index with a lag. Therefore, it is expected that housing rents could be on the uptrend in the coming quarters.

c. Rising interest rates could be a dampener

During the period ranging between January-May 2023, Central bank of UAE increased its policy rate by 75 bps following the rate hikes by U.S Fed. In May 2023, UAE policy rate was raised to 5.65%, the highest level since August 2007. Although the consistent interest rate hikes by the U.S Fed in 2022 have helped curb global inflation, the levels are still high when compared to the central bank's target level of 2%. This suggests that the U.S Fed could take a hawkish stance in increasing interest rates in the upcoming meetings, albeit at a slower pace, despite its lingering effect on economic growth and the banking sector. The Fed is expected to pause rate hike for the rest of the year, depending on economic conditions and financial system stability, with mild chance of pivot in the start of 2024. As the UAE's currency is pegged to the U.S dollar, Central Bank of UAE (CBUAE) would mostly raise interest rates in line with U.S Fed's interest rate moves although regional inflation is moderating.

UAE Policy Rate (Overnight deposit facility Rate, %)



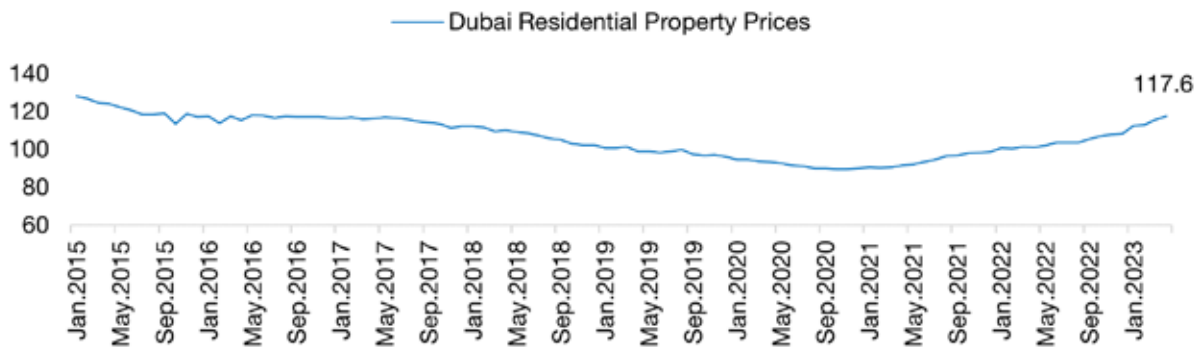
Source: Refinitiv

3. UAE Property Performance

a. Rising property prices

Property prices in the UAE continued to rise in 2022 and Q1 2023 despite fears of global economic slowdown. Average residential prices in Dubai rose by 12.8% during December 2022 to March 2023 while Abu Dhabi’s average apartment prices grew by 1.4% during the period.

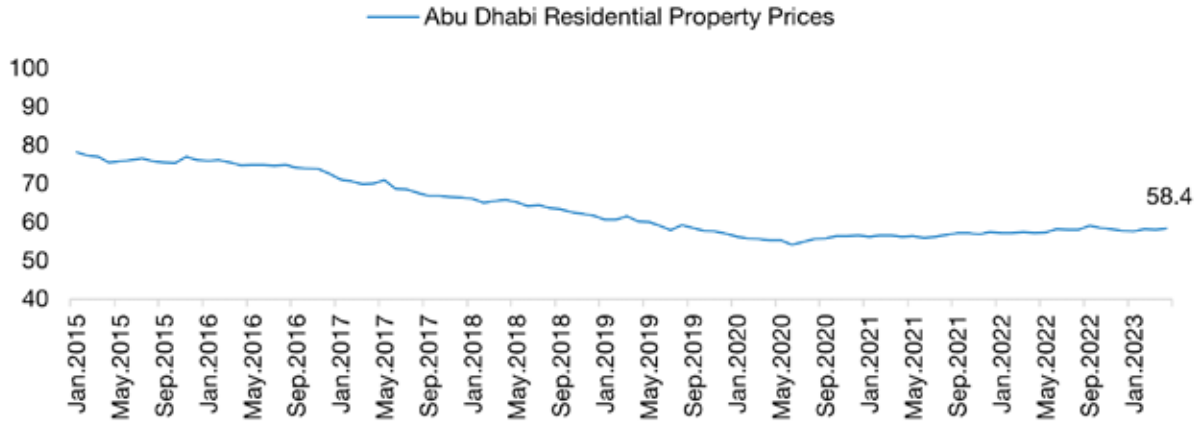
Dubai Real Estate Price Index (2009 Index value = 100)



Source: BIS

The Dubai Residential price index continued its upward momentum in Q1 2023 and witnessed its 6-year high touching a reading of 117.6 in April 2023. In the year to March 2023, average apartment prices and villa prices surged by 12.4% y/y and 14.8% y/y.

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



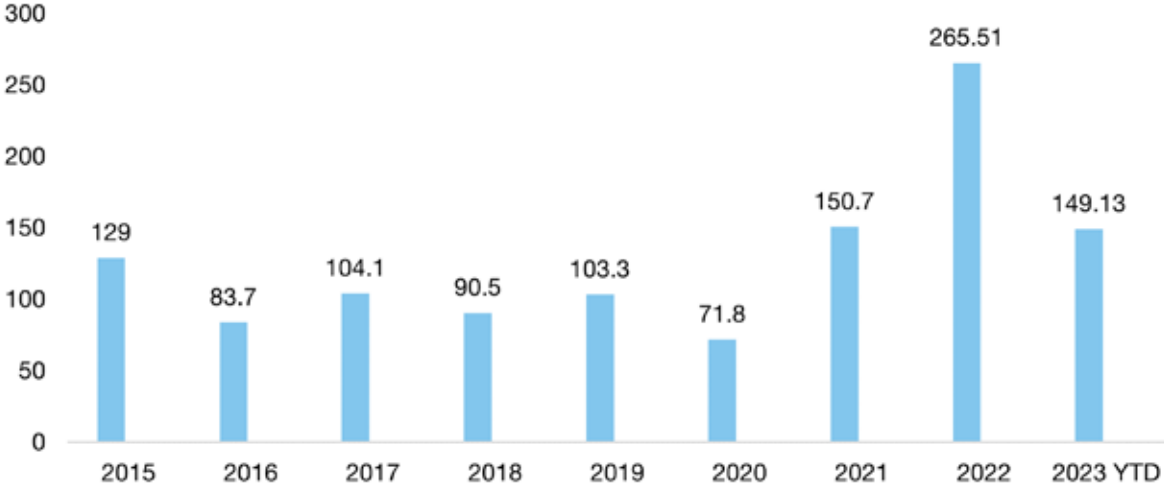
Source: BIS

As compared to Dubai, the growth in Abu Dhabi residential price index has been modest. Average apartment prices and villa prices increased by 1.4% and 1.6% respectively during the December 2022 to March 2023.

b. Real Estate Transactions record strong surge.

Dubai's real estate market witnessed high growth momentum in Q1 2023, recording 38,700 transactions, a 49% increase in volume from Q1 2022, which saw 26,000 transactions. In terms of the value of transactions, the real estate sector recorded an 80% increase, up from AED 87 billion in Q1 2022 to AED 157 billion in Q1 2023. Abu Dhabi's real estate sector recorded 3,518 sales transactions worth AED 16.2 billion (USD 4.4. billion) in Q1 2023 compared to 1,722 sales transactions worth AED 4.4 billion (USD 1.2 billion) for the same period last year, an increase of 268% in terms of value and 104% in terms of volume on y/y basis. The 42% increase in the number of new investors during Q1 2023 and government policies to support the investment environment underpin the strong rise in the real estate transactions.

Dubai, Value of Transactions (AED billion)

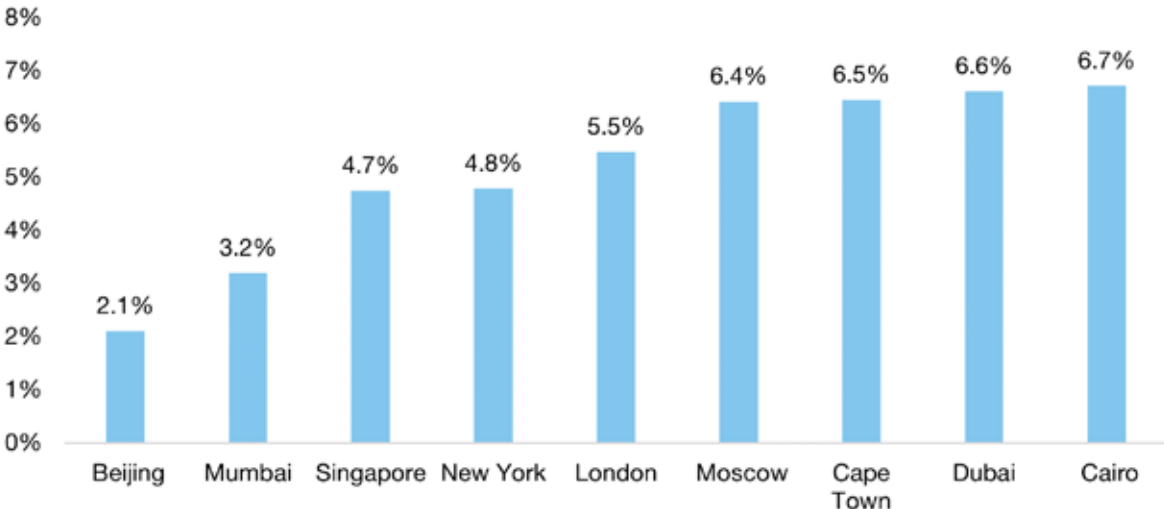


Source: Dubai Land Department; YTD transactions as of 31/05/2023

c. Attractive Rental Yields & Affordability

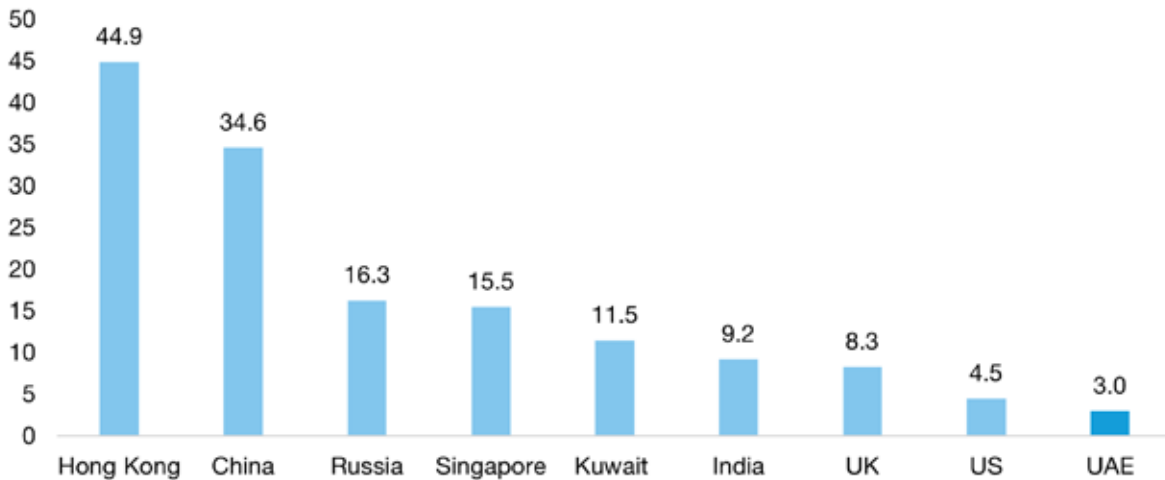
Attractive rental yields provide a steady stream of income for investors. Dubai posts high rental yields (nearly 6.6%) when compared globally. High rental yields incentivize investors who are looking for a steady stream of income. Along with an increase in property prices, rental yields can contribute significantly to an investor’s ROI. Rents in Dubai’s residential market witnessed a slight moderation as rents rose by 26.3% y/y in March 2023, down from 27.7% in the previous month.

Average Prime Residential Market Gross Rental Yield (%)



Source: Savills; Note: as of November 2022, Beijing as of July 2022

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 quotient, when evaluated globally. The country has a relatively low price to income ratio compared to similar markets. Affordability along with stable income stream on the back of high 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 institutional-grade office market has increased from 80.6% in Q1 2022 to 91.2% in Q1 2023.²

Apart from government entities constituting a larger portion of the Abu Dhabi’s occupier market, demand from the private sector has picked up in Q1 2023 owing to businesses seeking to increase their presence in the capital.

New Construction and Rentals

- In Q1 2023, Dubai witnessed 22,802 new lease contracts and 11,680 lease renewals, marking an increase of 60.5% and 13.5% respectively over the same period last year. In the year to March 2023, the total number of new registrations and renewals have increased by 10.6% and 10.9% respectively in Abu Dhabi.³
- In the year to Q1 2023, rents for Grade A offices in both Dubai and Abu Dhabi increased 13.5% and 8.8% respectively.⁴

² CBRE Research

³ CBRE Research

⁴ CBRE Research

- In the year to Q1 2023, average rents for Prime, Grade B and Grade C offices in Dubai went up by 20.2%, 18.7% and 28.7% respectively. In Abu Dhabi, average Prime and Grade B segment rents jumped by 19.1% and 10.7% respectively.

Outlook

- Rental growth rates in UAE are expected to remain relatively strong, especially in the market's Prime and Grade A segments on the back of improved activity levels and shortage of quality stock.
- The UAE office real estate is anticipated to be favourable to the landlords owing to the limited supply and pent up demand. However, landlords in Abu Dhabi are anticipated to offer occupancy incentives to tenants as they seek to target a diversified occupier base.
- As government-owned entities continue to occupy a major portion of the Abu Dhabi office space, it might lead to the crowding out of private sector.
- The introduction of 9% corporate tax on income earned from real estate and immovable property might likely have a negative impact on real estate investment. However, the demand for Free Zones is likely to be robust as free zones might hold some tax advantages under the new corporate tax law.⁵ The income earned from immovable property owned either directly or through a trust or foundation that is treated as transparent is not subject to corporate tax provided it is not a licensed business activity.

e. UAE Residential Apartment Real Estate – Cautious optimism

In Dubai, average apartment prices had increased by 12.4% in the first three months of 2023 and villa prices grew by 14.8% over the same period.⁶ In Abu Dhabi, average apartment prices grew by 1.4% and villa prices grew by 1.6% in the first three months of 2023.

New Construction and Rentals

- Average apartment rents surged by 26.3% in the year till March 2023 in Dubai while it dropped by 0.7% in Abu Dhabi over the same period.⁷
- In Abu Dhabi, 7,306 residential units are expected to be completed in the remainder of the year 2023. In the year to March 2023, only 272 new units have been constructed.

⁵ CBRE Research

⁶ CBRE Research

⁷ CBRE Research

- In Dubai, 55,261 new residential projects are expected to enter the market this year. Total estimated completions as of Q1 2023 stood at 9,833 units.

Outlook

- With more of the upcoming units in residential real estate to be apartments, increase in overall market prices could continue to be lower than that of villas. Asteco forecasts that further 27,400 apartments will be built in the rest of 2023, along with 4,650 villas in Dubai.
- The demand for luxury real estate is expected to boom in 2023 with an expected increase in the number of ultra high net-worth individuals in the coming years.
- Despite global headwinds such as the slowdown in economic growth across major global economies and persistently high lending rates likely to weigh on residential demand, the UAE is expected to stay relatively resilient owing to favourable demand and supply dynamics. Dubai's prime markets are expected to witness 289 homes delivered by 2025. Supply remains limited as developers have not responded to the buoyancy in demand and the need for luxury waterfront continues to strengthen. The prime residential market of Dubai is forecasted to grow at 13.5% supported by the demand-supply imbalance.⁸
- The anticipations of further interest rate hikes by central government of UAE might increase the mortgage financing costs in the near-term. Higher mortgage rate could support rental demand. The interest rate hikes could have a negative impact on mortgages.

f. UAE Retail Real Estate – Steady growth

In Dubai, the average rents for primary malls⁹ increased by 1% y/y in Q1 2023 while city-wide average rents for primary and secondary malls¹⁰ decreased by 1% y/y for the same period. Average rents in Abu Dhabi remained stable during the period.¹¹

New Supply & Rentals

- In Dubai, the total number of retail property registrations stood at 23,094 in the year to Q1 2023, declining by 0.9% over the same period last year. The new registrations have witnessed a dip by 16.8%. In Abu Dhabi, the number of new registrations decreased by 1.5% in the year to March 2023.

⁸ CBRE Research

⁹Primary Malls are the best performing malls with highest levels of turnover

¹⁰Secondary Malls are the average performing malls with lower levels of turnover

¹¹JLL

- Retail segment witnessed increased activity in Q1 2023 owing to the entry of new players into the market and existing occupiers expanding their footprint.
- Dubai has witnessed an average rental growth of 41.1% in the 12 months to March 2023, whereas rental rates in Abu Dhabi have risen by 5.6% y/y over the same period.

Outlook

- Outlook for the retail sector remains positive supported by the development of entertainment and experience based offerings in UAE as a part of the government's plans to provide impetus to the tourism sector. The demand for UAE retail real estate segment is likely to be driven by the Food and Beverages operators.
- Since the supply of quality prime locations is expected to be scarce, the market remains more favourable to the landlords. Incentives to tenants is expected to be sticky with increased focus on long-term lease contracts.

g. UAE Hospitality Real Estate – Stable outlook for H2 2023

In the year to February 2023, Dubai recorded 3.1 million international visitors, 42% higher than the levels recorded in the previous year. The growing number of tourists in 2023 has positively impacted the lower and mid-tier segments, with 15% rise in RevPAR.¹²

New Supply & occupancy

- Events organised in Q1, such as Gulfood in Dubai and IDEX (International Defense Exhibition) in Abu Dhabi resulted in hotel occupancy rate in Dubai surging to 84% for the first two months, up from 77% recorded during the same period last year, albeit ADR (average daily rate) dropped by 2%.
- In Abu Dhabi, although occupancy rate remained stable at 75%, ADR and RevPAR surged by 44% in the year to February 2023.
- With the delivery of around 2,000 rooms, Dubai's hotel stock climbed to 150,000 rooms in Q1 2023. Abu Dhabi's hotel supply completions were comparatively limited, delivering around 200 keys to bring the total stock to 32,500 rooms.

¹²JLL

Outlook

- For the remainder of the year, around 8,000 keys and 200 keys are scheduled to be delivered in Dubai and Abu Dhabi respectively. The hospitality sector is expected to sustain its growth in H2 2023 owing to continuous increase in tourist numbers and a well planned calendar of events throughout the year to cater to various segments of the market.

4. Major Reforms/Events in H2 2023

- 26/05** Abu Dhabi property transactions more than double to USD 7.59 billion in Q1 2023

 - Abu Dhabi recorded real estate transactions worth AED 27.9 billion with 5,472 deals in the Q1 2023, as the country's property market rebounds amid government initiatives and broader economic recovery. The value of deals more than doubled during the three-month period to the end of March, while the volume of transactions, which include property sales and mortgages, grew by 66%. The market rebound is attributed to broader economic recovery and government initiatives to enhance investment and regulatory environment.
- 24/05** Abu Dhabi Housing Authority announces national housing projects worth USD 1.9 billion

 - Abu Dhabi Housing Authority (ADHA) announced the construction of new 1,742 residential villas at a cost of more than AED 7 billion for UAE nationals. The AED 6.3 billion West Baniyas residential project, spread over 584.7 hectares, comprises 1,500 residential villas, eight mosques and 14 commercial buildings. The project is expected to be completed by Q2 2027. The AED 734 million Al Samha project consists of 242 residential villas, two mosques and retail units. The project is expected to be completed by Q4 2025.
- 23/05** Dubai's off-plan real estate sector sustains the overall UAE property market

 - In April 2023, sales in the UAE's real estate industry witnessed a 33% dip in transactions when compared to December 2022. The secondary market witnessed a 2.4% decline in sales, the off-plan sector's 42.5% year-over-year surge in sales transactions in April sustained the growth of Dubai's property market.

15/03

Service fee cut drives Capital's real estate in 2022

- Abu Dhabi real estate sector expanded in 2022 as the government policy actions benefitted the sector and attracted foreign investors towards the development projects. The Department of Municipalities and Transport (DMT) initiative to reduce service fee for real estate development project by 6% has benefitted the property owners and investors besides reducing the cost of owning a home in Abu Dhabi.



5. UAE Real Estate – Recent Major News

[Dubai property price rises may slow further in 2023, real-estate consultancy says-Reuters](#)

Residential property prices in Dubai are expected to rise at a slower pace in 2023 after a record year that saw a more than 60% increase in total units sold. Prices are seen rising by about 5% in 2023, after climbing 11% in 2022, which itself was a slowdown from a 21% increase in 2021. Higher interest rates is anticipated to have a considerable impact on people's willingness and ability to pay more for properties.

[UAE is the second largest real estate market in GCC – Zazeen Properties](#)

UAE is the second-largest real estate market in the region with approximately 21.6% of the GCC's market share. The UAE is poised to grow at a faster pace, with Dubai leading with an abundance of property deals that are carrying over momentum from 2022. While a diversification agenda has already been firmly rooted since the country's

inception, the launch of the Dubai Economic Agenda (D33) is increasing the UAE's appeal. Moreover, enhanced business and living legislations coupled with attractive visa reforms are continuing to lure residents to Dubai, especially as the EU countries like Greece, Portugal, and Ireland tighten restrictions. Analysts had previously estimated that Dubai would only have the capacity to accommodate an average of 25,000 new residential units annually until 2030, however, the emirate is beating this forecast by being on a trajectory to supply 1,000,000 new households before the end of the decade. UAE is positioned to be one of the most appealing real estate markets, enabling residents and foreigners to invest in the country's real estate sector at an accelerated pace.

New digital platform offers UAE Golden Visa

A new digital real estate investment platform in the MENA region is offering investors Golden Visa opportunities. Stake, the investment platform has announced the offering of Golden Visas for investors who commit at least AED2 million on the platform. The Golden Visa opportunity will be offered through Special Purpose Vehicles (SPV) registered in Dubai International Financial Centre (DIFC). This is the first-ever initiative through which investors in Dubai can obtain a Golden Visa through a digital investment platform.

Dubai's property sales set to surpass USD 82 billion in 2023

A surge in property investment from high-net-worth individuals between 2012 to 2022 has placed Dubai's real estate market on a trajectory to achieve about USD 82 billion in sales this year. According to Unique Properties cites, the emirate houses over 68,400 HNWI's - a 62% rise in the past decade. Dubai's real estate market to witness 46% growth in 2023 on back of tax advantages and favourable government policies.

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 2022 and forecasts for 2023 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	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.
(Oil & Non-Oil)	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.
	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

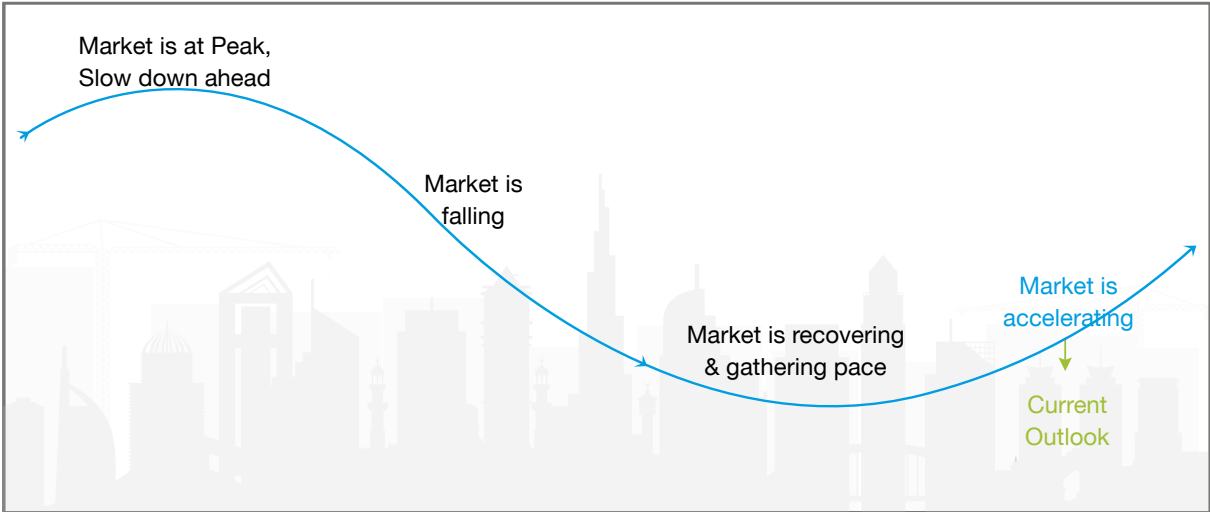
UAE Macro-Economic Factor Assessment

Economic Factors	2019	2020	2021	2022e	2023f	2024f	Qualitative Take	Quantitative Score
Oil (Real) GDP Growth	2.6%	-3.8%	-0.7%	11.1%	2.8%	3.8%	Moderate	4
Non-Oil (Real) GDP Growth	3.8%	-5.4%	5.8%	6.0%	3.8%	3.9%	Moderate	4
Money Supply, M2 (YoY)	8.0%	4.6%	5.7%	9.0%	7.6%	6.5%	Moderate	4
Inflation, %	-1.9%	-2.1%	-0.1%	4.8%	3.4%	2.0%	Moderate	4
Interest Rate %	2.3%	0.7%	0.4%	2.4%	5.3%	5.0%	Neutral	3
Yearly Population Growth	1.5%	-2.3%	3.0%	3.5%	2.0%	1.5%	Neutral	3

Economic Factors	2019	2020	2021	2022e	2023f	2024f	Qualitative Take	Quantitative Score
Job creation ('000)	75	12	-29	117	79	80	Moderate	4
							Overall Score	3.8

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 (2022-2023)

Macro indicators	H2 2022	H1 2023	H2 2023
Oil Real GDP Growth	5	5	4
Non-Oil Real GDP Growth	3	4	4
Fiscal Balance	4	4	4
Investments	4	4	4
Money Supply, M2 (YoY)	4	4	4
Inflation	3	3	4
Interest Rate	2	2	3
Population growth	3	3	3
Jobs created	4	4	4
Overall Score	3.6	3.7	3.8

Source: Marmore research

Conclusion

UAE real estate market has seen robust growth in the first half of 2023, driven by healthy economy, tourism & government policies. The real estate market in both Dubai and Abu Dhabi has seen strong growth in the first half of 2023, with transaction volumes and values increasing significantly in Q1 2023. This growth has been driven by a healthy economy with low unemployment. The residential sector has been the main driver of growth, with apartment and villa prices rising sharply. The office sector has also performed well, with rents increasing across all segments in Q1 2023. The retail sector has seen modest growth, but it has been subdued than in other sectors. The hotel sector has also performed well, with occupancy rates and average daily rates rising in Q1 2023. Despite a mild moderation in UAE's real GDP growth in 2023, the Real Estate sector is anticipated to continue its upward momentum albeit at a slower pace than 2022 owing to strong pent up demand across all segments. The expanding non-hydrocarbon sector on the back of government policies and stable oil prices owing to OPEC+ supply cuts support the regional economic outlook. Although challenging global economic backdrop could hamper growth, the UAE's economy is expected to record stable fiscal and current account surplus. The surplus signals a resilient government revenue stream, indicating the government's increased ability to support and expand its non-oil sector. The UAE government has announced development projects worth USD 23 billion to boost the construction sector and create job opportunities. An increase in interest rates could be a dampener on the demand side. Until inflation comes into control, high interest rate environment is likely to prevail with U.S Fed expected to pivot in late 2023 or early 2024.

Recent real estate transactions reached record high levels in the UAE during 2022. Surge in demand for office and retail spaces, developing private sector and business activity and rising trend in real estate prices on the back of limited supply are positives for the real estate segment growth in H2 2023. Moreover, the demand for luxury real estate is expected to be supported by the anticipated increase in the number of Ultra high net-worth individuals in the near-term. In 2022, Dubai's population officially reached 3.55 million, and more expats made the emirate their second home.

Reforms permitting 100% foreign ownership and ease of business policies coupled with strong levels of inbound investment levels favour the real estate sector growth.

The UAE's Ministry has introduced a new law under which foreign companies and other non-resident juridical persons are subject to 9% corporate tax on income earned from real estate and immovable property in the UAE. However, the law states that real estate investment either directly or through trusts and foundations that are considered transparent would not be subject to corporate tax provided it is not a licensed business activity. With the introduction of the 9.0% Federal Corporate Tax, Free Zone areas are expected to be the focus of occupier activity in the office segment due to tax advantages.

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, yet slower pace witnessed in 2022 during the second half of 2023.

Summary – UAE Markaz Real Estate Macro Index

Macro indicators	Future Outlook (2023 & 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
Overall Score	Market is accelerating	3.80

Source: Marmore Research

What reports to expect soon?



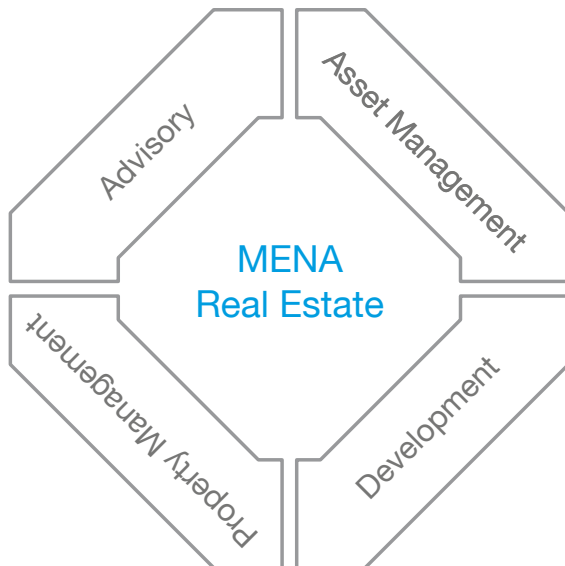
KSA Real Estate Outlook H2 2023



Kuwait Real Estate Outlook H2 2023

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

Total return annualized: **7.51%**

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 - June 23)	163.13%
Capital Gain since Inception	26.07%
Income Distribution since Inception	137.06%
Total Return Annualized	6.37%
Average Annual Yield (Cash)	4.63%
Volatility (3 year)	2.74%

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, Abdullatif Al-Nusif
- 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
- The Total Return consists of the Capital Gain and the Dividend Yield after deducting all fees and expenses

Disclaimer: This announcement has been prepared for promotional purposes and has been approved by Markaz. Investments in funds are subject to market risks. There can be no assurance or guarantee that the investment will produce any returns. Prospective Investors must therefore be aware of and understand that such investment carries a significant degree of risk of loss of their capital; and the dividend rate cannot be predicted or guaranteed. Past performance is not a reliable indicator of future performance. Before investing, prospective investors must carefully examine the Articles of Association and all Fund's related documents to be aware of the investment methods, including the merits and risks involved.

المركز
MARKAZ

markaz.com
+965 2224 8000

Disclaimer

This report has been prepared by Marmore MENA Intelligence, a fully owned subsidiary of Kuwait Financial Centre K.P.S.C (Markaz). Markaz is regulated by the Capital Markets Authority and the Central Bank of Kuwait. The report is owned by Markaz and is privileged and proprietary and is subject to copyrights. Sale of any copies of this report is strictly prohibited. This report cannot be quoted without the prior written consent of Markaz. . Any user after obtaining Markaz permission to use this report must clearly mention the source as "Markaz ". The report is intended to be circulated for general information only and should not to be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction.

The information and statistical data herein have been obtained from sources we believe to be reliable but no representation or warranty, expressed or implied, is made that such information and data is accurate or complete, and therefore should not be relied upon as such. Opinions, estimates and projections in this report constitute the current judgment of the author as of the date of this report. They do not necessarily reflect the opinion of Markaz and are subject to change without notice. Markaz has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn.

This report may not consider the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors are urged to seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and to understand that statements regarding future prospects may not be realized. Investors should note that income from such securities, if any, may fluctuate and that each security's price or value may rise or fall. Investors should be able and willing to accept a total or partial loss of their investment. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily indicative of future performance.

Kuwait Financial Centre K.P.S.C (Markaz) may seek to do business, including investment banking deals, with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. This report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of Markaz, Markaz has not reviewed the linked site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to Markaz's own website material) is provided solely for your convenience and information and the content of the linked site does not in any way form part of this document. Accessing such website or following such link through this report or Markaz's website shall be at your own risk.

For further information, please contact 'Markaz' at P.O. Box 23444, Safat 13095, Kuwait; **Email: research@markaz.com**, Tel: 00965 1804800; Fax: 00965 22450647.