

UAE Property Value Movement Report

2021

HEADLINES

80%

of the UAE's real estate
sectors saw values decline
in 2020

In Abu Dhabi

values in the industrial and
residential sector have
remained resilient

In Dubai

all major real estate sectors
saw values decline

In 2021

values in 80% of the UAE's real
estate sectors are expected to
remain at similar level to 2020
values



It has been little over a year since the World Health Organisation declared COVID-19 as a pandemic. What followed this declaration was an unrepresented curtailment of economic activity and social mobility. As a result, unsurprisingly, global GDP was forecast to contract at the fastest rate seen in decades. Despite the initial shock and considerable levels of uncertainty, we have not seen the worst case scenarios come to fruition. On the back of a mixture of fiscal and monetary stimulus packages enacted in around 197 countries, the IMF has revised the rate of contraction for global GDP down from a high of 4.9% to 3.3% as at April 2021. Despite this, the contraction in global GDP is still expected to be the largest since the Second World War.

In the UAE, despite various fiscal initiatives enacted on an emirate level and a wide-ranging federal monetary stimulus package,

property values in most parts have seen material declines. However, it is important to note that this is not the case in all segments. The pandemic has, in certain real estate asset classes, accelerated pre-pandemic shifts in demand, for example from physical retail to e-commerce, which in turn has helped underpin values in the industrial sector. More so, in certain cases, revaluations have arguably spurred investment activity in what was a largely subdued market beforehand.

Hospitality

The UAE's hospitality sector, which is heavily reliant on international tourism, has undoubtedly seen the most significant impact on property values as a result of the pandemic. Of the two largest tourism markets in the UAE, Abu Dhabi recorded relative outperformance compared to Dubai. This was underpinned by the size of the

capital's market and diverted demand from UAE residents. Whereas in Dubai, given the size of the market and the reliance on international source markets, values have declined much more significantly. As the market continues to recover, gradual performance improvements will reflect gradual increases in hotel values. These will be fully restored when the market stabilises and operating performance returns to 2019 levels.

Industrial

The UAE's industrial sector can be singled out as one of the few sectors to benefit from the pandemic. Despite this, we have seen industrial property values in Dubai decline as rents continue to fall across all segments of the market. In Abu Dhabi, values in 2020 remained stable despite the ongoing pressure on rents. Both in Abu Dhabi and Dubai, we envisage that markets look to have bottomed out and as a result, in 2021, we expect values to remain stable on average.

Retail

With footfall and retail spending seeing heavy declines, and the evermore common practise of turnover rents, in conjunction with lower base rents, it is not surprising that we have seen retail property values decline in both Abu Dhabi and Dubai in

UAE VALUE MOVEMENT DASHBOARD

SECTOR	Hospitality		Industrial		Retail		Offices		Residential	
CITY	MOVEMENT 2020	FORECAST 2021	MOVEMENT 2020	FORECAST 2021	MOVEMENT 2020	FORECAST 2021	MOVEMENT 2020	FORECAST 2021	MOVEMENT 2020	FORECAST 2021
Abu Dhabi	↓	↑	→	→	↓	→	→	→	↓	→
Dubai	↓	↑	↓	→	↓	↓	↓	→	↓	↓

2020. Looking ahead, in Abu Dhabi, given its relatively low levels of upcoming supply we expect values to remain stable compared to 2020 levels. Whereas in Dubai, given significant levels of upcoming supply and hybrid, or turnover only rental models going forward, we expect values to continue to decline in 2021.

Offices

There has been much discussion around the future of office space going forward. Whilst the pandemic will impact the future form and function of office spaces, it has been an accelerator of already shifting fundamentals rather than the root cause of these shifts.

In Abu Dhabi, given relatively low levels of new supply and stability in rental rates, on the whole, we have seen values for institutional grade assets remain relatively stable in 2020. In Dubai, with rental rates continuing to fall and a surge in vacancy, office property values have declined materially on average. Whilst certain sub-segments of the market are expected to continue to see property values decrease, particularly as the flight to quality trend continues, in 2021 we are expecting property values to remain stable.

Residential

With population levels in Abu Dhabi and Dubai estimated to have declined

by roughly 5% in 2020, growing levels of supply and existing vacancy levels, residential property values in both emirates fell in 2020. Whilst population growth is expected to return in 2021, it will likely not be at least until late 2022 before we see population levels return to their pre-pandemic levels. In Dubai, this lower level of demand will be further compounded by a continuing influx of supply, which in turn is likely to continue to put pressure on property values. Whereas Abu Dhabi's level of new supply remains restrained and as a result, despite the continued pressure expected on rents, property values are likely to remain stable in 2021.

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