

Dubai Residential Market Review



Spring 2023

A quarterly review of key trends and the performance of
Dubai's residential market

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Dubai residential market performance

VALUES UP BY 5.6% IN Q1 2023

Residential values across Dubai rose by 5.6% during Q1 2023, marking the 9th consecutive quarter of price rises. The latest increase leaves values 20% higher than Q1 2020 however, average prices remain 15% below 2014 peak. On an annualised basis, prices are up by 13%.

Apartment prices increased by 5.7% to approximately AED 1,230 psf during Q1, with values now 15% higher than Q1 2020. Despite rising by 12% over the last 12 months, apartments still trail the 2014 peak by 18%.

Villas continue to outperform the rest of the market, with average values growing by 5.1% between January and March to reach AED 1,450 psf, leaving them 15% higher than Q1 2022. The Covid-19 fillip means average villa prices across Dubai have risen by 44% since January 2020, largely driven by the sustained strong demand for luxury second homes from the international elite. Unsurprisingly, this level of growth has resulted in villa prices reaching the last market peak in 2014.

STRONG GROWTH IN EMERGING LOCATIONS

While price growth over the last two years has undoubtedly been strongest in the city's most expensive submarkets, more affordable locations, at least on a price per square foot basis, have also experienced sharp increases as domestic buyer requirements for larger homes fuels demand, particularly in more affordable inland communities.

Dubai Hills Estate for instance, where apartment prices stand at c. AED 1,825 psf, prices are up by 26% in the last 12-months, making it one of the strongest gainers in the city.

Similarly, at Emirates Hills, villa prices have increased by 18% in the last 12 months alone to reach AED 2,380 psf.

PALM JUMEIRAH STILL THE TOP PERFORMER

The Palm Jumeirah remains the city's star-performing villa-market, with prices rising by 14% during Q1, taking the growth rate over the last 12-months to 53%.

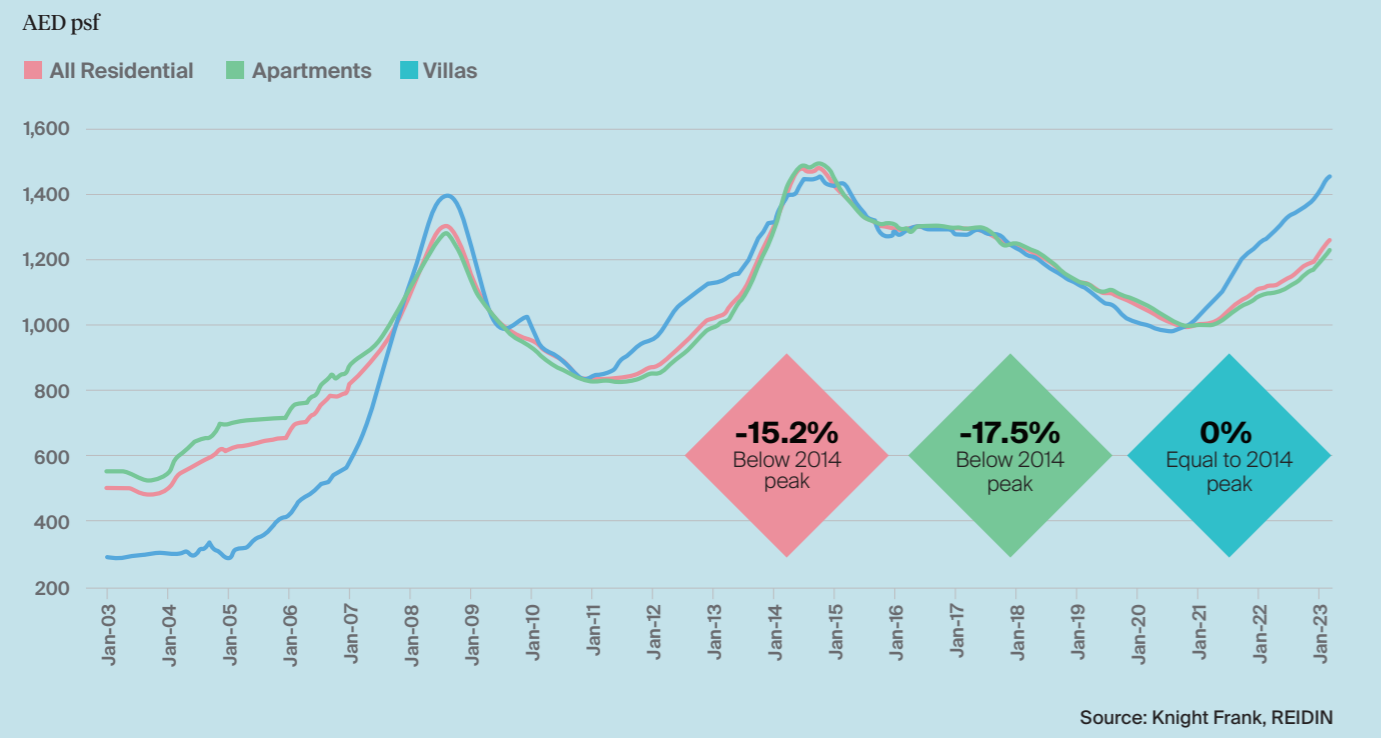
The exceptional demand for homes on Dubai's iconic Palm Jumeirah is best reflected in the fact that villa prices have risen by 126% since the start of the pandemic, but still remain at about AED 4,300 per square foot, making property on the Palm Jumeirah relatively affordable on a global scale. However, villa prices are now 51% higher than their 2017 peak, while apartments still lag their last peak in 2015 by 10%.

Not far behind the Palm Jumeirah is Dubai Hills Estate experiencing a 30% growth over the last 12-months, followed by Mohammed Bin Rashid City and District One 23% and 18%, respectively.

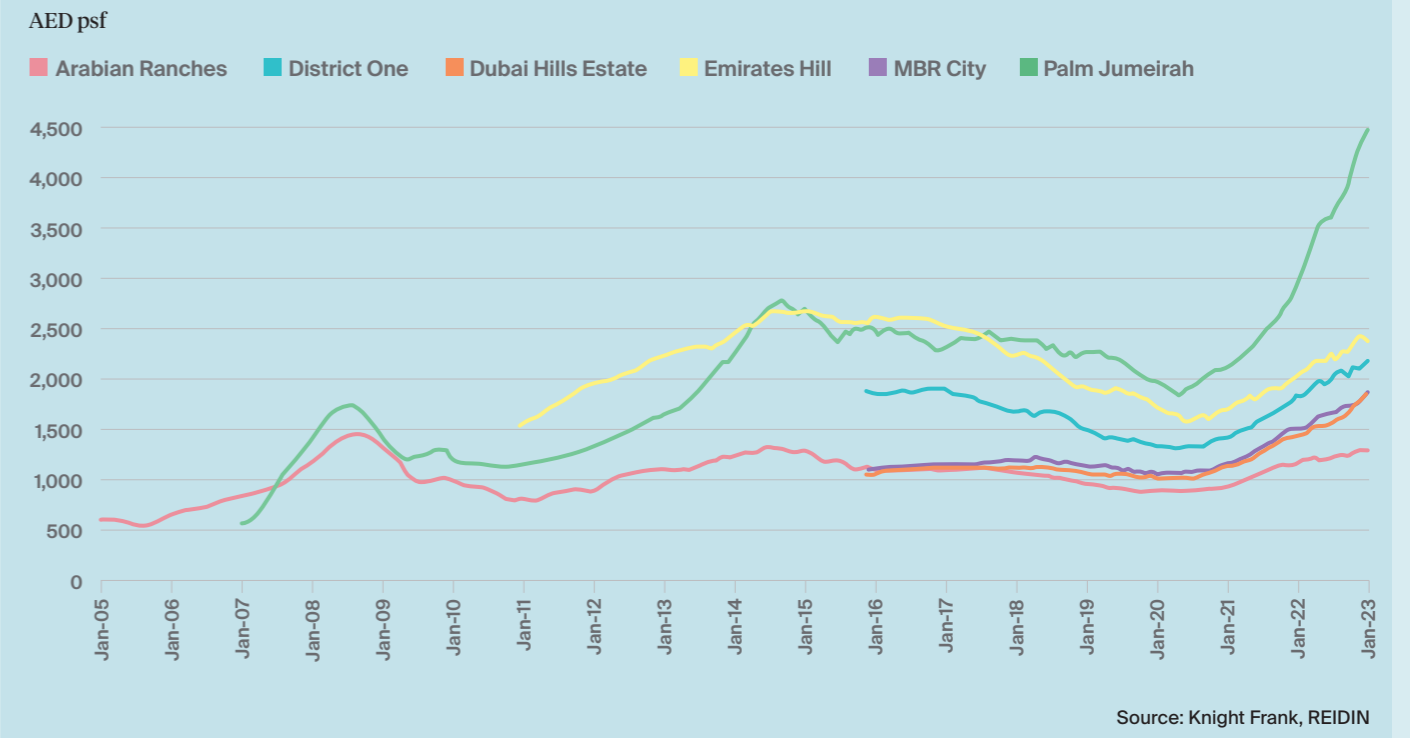
Not to be outdone, apartments too in some of the city's most sought-after locations have also experienced significant price rises. Interestingly, Dubai Hills Estate (23%) leads the league table for the first three months of this year, closely followed by The Palm Jumeirah (20%) and Downtown Dubai (14%). Out of the three areas, apartment values on the Palm Jumeirah remain the highest at around AED 2,300 psf.



AVERAGE VALUE OF RESIDENTIAL TRANSACTIONS (BY PROPERTY TYPE)



AVERAGE VALUE OF RESIDENTIAL TRANSACTIONS (BY VILLA SUBMARKET)



Prime market demand

PRIME MARKET PERFORMANCE

The performance at the top-end of the price spectrum clearly demonstrates the arrival of Dubai as a luxury hub to rival long established markets elsewhere.

The submarkets that Knight Frank classify as prime are the Palm Jumeirah, Emirates Hills, and Jumeirah Bay Island. The relentless demand from global ultra-high-net-worth-individuals (UHNWI) is showing no signs of abating and is reinforcing Dubai's position as a world-class second home destination.

Dubai's prime residential market has performed in line with Knight Frank's outlook over the past 12 months. As average transacted prices stand at around AED 3,360 per square foot, or about US\$915 per square foot, the city remains one of the world's most affordable luxury home markets, which is further boosting Dubai's appeal amongst international buyers.

The demand for prime residential property has been

so intense that Dubai experienced a record 44% hike in prime home prices last year – the highest level globally. Factoring for the 16% increase in average transacted prices during Q1, the annualised rate of growth has further accelerated to 54.6%.

Still, a shortage of new supply and strong inflows of UHNWI who are targeting second homes in Dubai's premier districts are expected to sustain further price rises.

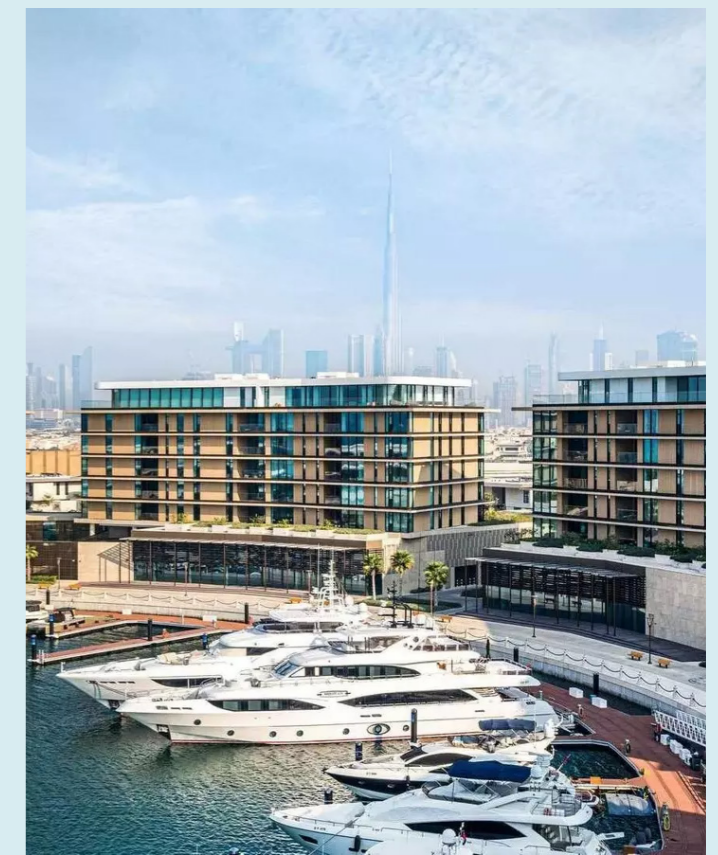
Despite the headlines and market hubris, villa prices in Dubai have just reached their 2014 peak levels and values are now what they were seven years ago, while apartment prices trail 2014 levels by nearly 18%.

So, it is perhaps unsurprising that Dubai remains one of the world's most "affordable" luxury home markets, ranking in 16th place among our 20 global prime residential markets during 2022.

PRIME RESIDENTIAL AVERAGE VALUE PERFORMANCE - DUBAI
AED psf



Source: Knight Frank, REIDIN



Ultra-prime demand

ULTRA-PRIME MARKET PERFORMANCE

Further up the price curve still, the US\$10 million+ homes market in Dubai continues to strengthen, with 88 sales being registered in Q1 alone. 2022 saw Dubai record 219 deals above this price point, positioning the city as the fourth busiest luxury homes market in the world. 2023 is shaping up to be another record year for this segment of the market.

The depth of demand for homes at this price point from local and international UHNWI is helping to drive up prices in this exclusive segment of the market. Q1 has seen homes in this price bracket transact for an average of AED 7,280 psf, representing a 16% increase on 2022's AED 6,250 psf.

The city's prime residential neighbourhoods of the Palm Jumeirah, Emirates Hills and Jumeirah Bay Island continue to dominate luxury home sales, with average transacted prices in these highly sought-after locations for US\$10 million homes reaching AED 8,800 psf during Q1. Other locations in the city are however also fast rising prime status too.

While Dubai's prime neighbourhoods of the Palm Jumeirah, Jumeirah Bay Island and Emirates Hills accounted for 67% of US\$ 10 million home sales during Q1, other areas are also growing in prominence and are likely to be classed as 'prime' if they continue to entrench themselves as high-end neighbourhoods.



BRANDED RESIDENTIAL BOOM

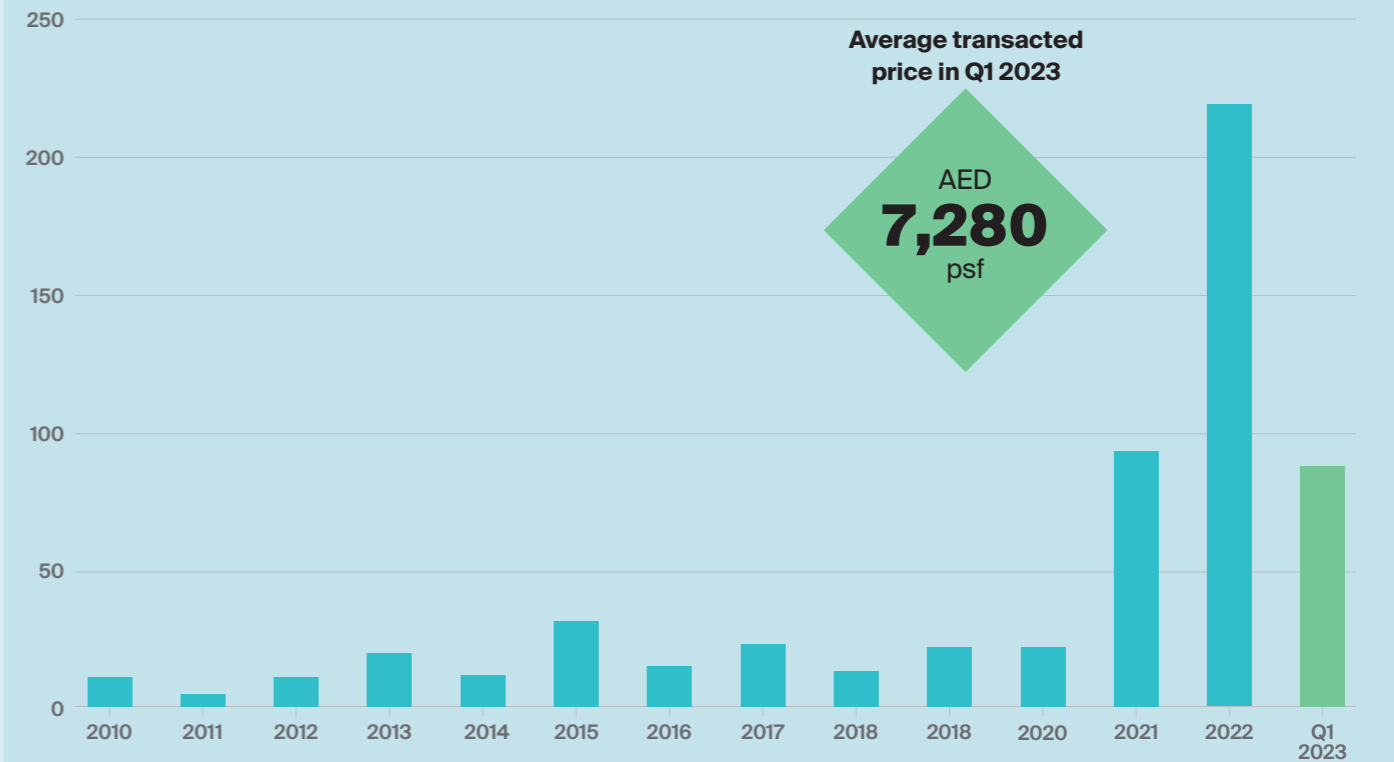
The Al Wasl-Dubai Canal corridor is one such area, with branded residential sales contributing to its emergence as a hotspot for UHNWI who are focused on securing the most expensive homes in the emirate's most desirable neighbourhoods.

Branded residences have always been a popular residential sub-sector in Dubai, with over 22,000 sales in the last 10 years and 7,800 between 2020 and 2022 alone. Sales of branded residential units in Dubai have risen sharply since the start of the pandemic and branded residences now form a key pillar of the luxury homes market in the emirate.

Their popularity has been supercharged by the UHNWI wall of capital emergence which continues to target the city's luxury homes. Dubai's arrival as a premiere luxury homes market, combined with relentless demand from UHNWI has fuelled the emergence of ultra-luxury residential branded developments, with development hotspots emerging on the Palm Jumeirah, around Business Bay and the Dubai Canal.

During April 2023, a 5-bedroom apartment at the newly launched Baccarat Residences in Downtown Dubai sold for AED 14,000 psf (or a total of US\$ 55.3 million), the highest recorded price for an off-plan branded residential property in the emirate.

NUMBER OF US\$ 10 MILLION+ TRANSACTIONS IN DUBAI



Source: Knight Frank, REIDIN



EXPERT INSIGHTS

PRIME LOCATIONS TO WATCH

Tilal Al Ghaf is another location that has quickly joined the growing list of ultra-luxe neighbourhoods in Dubai. Last year, three homes here sold for over AED 90 million and during Q1, seven villas transacted for over US\$ 10 million, strongly suggesting that Tilal Al Ghaf will soon meet our definition for a prime neighbourhood.

While the bulk of international UHNWI looking at Dubai are drawn to acquiring second homes on the coast, Tilal Al Ghaf has set a new benchmark for luxury living as an inland community that delivers on quality and amenities. The shortage of completed waterfront communities and the lack of developments sites that can be easily activated suggests that such inland communities will continue to grow in prominence.

Andrew Cummings
Partner, Head of Prime Residential Sales

US\$ 10 MILLION+ HOME SALES IN DUBAI (Q1 2023)

Al Barari	1
Al Wasl-Dubai Canal	11
Bluewaters Island	1
Business Bay	1
District One	1
Dubai Hills Estate	3
Emirates Hills	7
Jumeirah Bay Island	23
Jumeirah Beach Residence	1
Jumeirah Golf Estates	1
Jumeirah Second	1
Palm Jumeirah	29
Tilal Al Ghaf	7
Za'abeel First	1
Total	88

Source: Knight Frank, REIDIN

Luxury home sales move Dubai into global top 5

BUSIEST LUXURY RESIDENTIAL MARKETS

It is perhaps no surprise that the heightened level of deal activity in Dubai's luxury market has propelled the emirate Dubai into the top-5 busiest luxury residential markets in the world.

US\$ 1 million will secure 1,130 square feet of prime residential space – this is around three times more than London, New York, or Singapore, which is in itself fuelling demand amongst the world's wealthy. Indeed, 2022 saw Dubai emerge as the fourth most active luxury market in the world, with 219 US\$10 million+ homes sold for US\$ 3.8 billion, behind London (223 sales worth US\$ 4.3bn), LA (225 sales worth US\$ 4.3bn) and New York (244 sales worth US\$ 4.5bn).

Dubai is also now ranked fifth for US\$ 25 million+ home sales globally.

These factors have fuelled business and economic confidence and have in turn helped to supercharge demand for luxury homes.

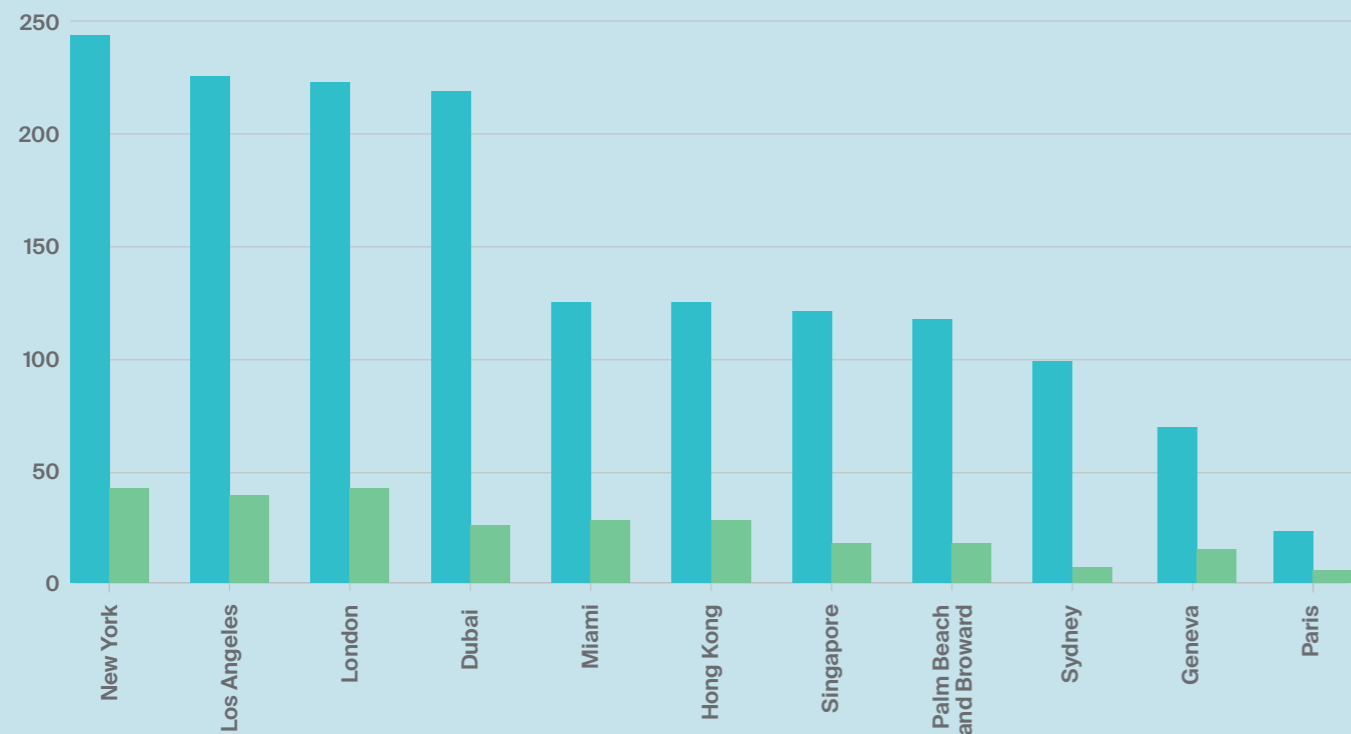
In addition, the diversity in Dubai's buyer base has contributed to the overall luxury market's performance.

Our data shows that the top three locations for buyers in 2022 covered nationals from China, India, the UK – this group accounted for around two-third of sales. Other top 10 buyer nationalities include buyers from Iran, Russia, Ukraine, Canada, France, Germany and Italy.

DUBAI EMERGES AS TOP 5 CITY FOR LUXURY SALES

Luxury homes sold in 2022

>US\$ 10 million >US\$ 25 million



Source: Knight Frank, REIDIN, Douglas Elliman, Naef Prestige, HM Land Registry, LonRes

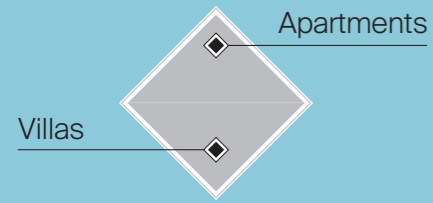
RELATIVE VALUE OF LUXURY

What US\$ 1 million buys in prime residential markets (sq ft) | 2022

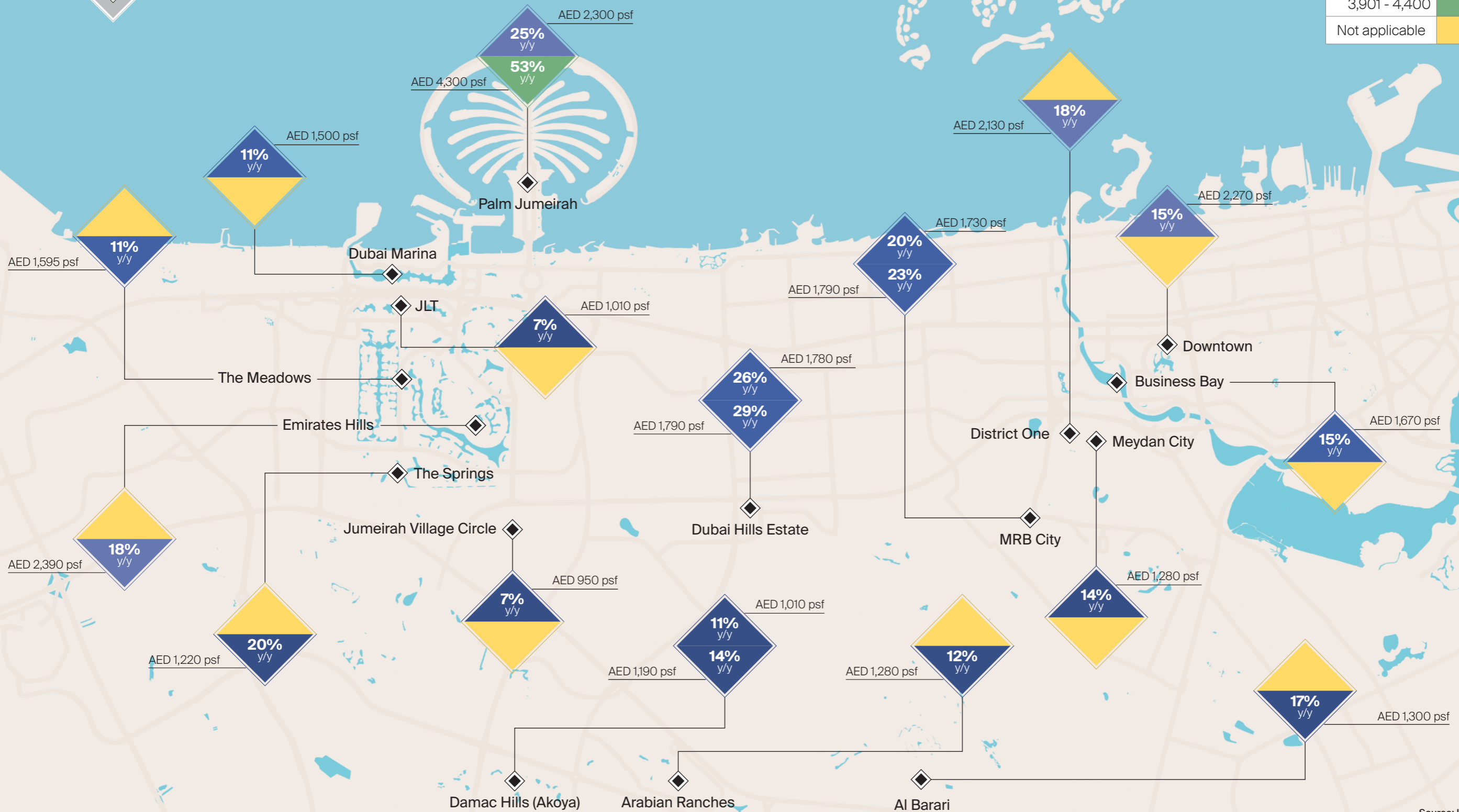


Source: Knight Frank, REIDIN, Douglas Elliman, Ken Corporation

Residential values in Dubai | Q1 2023



AED psf	
w	Dark Blue
1,401 - 1,900	Blue
1,901 - 2,400	Light Blue
2,401 - 2,900	Light Green
2,901 - 3,400	Green
3,401 - 3,900	Light Green
3,901 - 4,400	Green
Not applicable	Yellow



Luxury home launches remain limited

DEMAND-SUPPLY IMBALANCE

A peculiarity in this market cycle and one of the key drivers of the substantive price growth of prime homes has been a distinct lack of supply coming to the market, with new project launches remaining limited over the last two-and-a-half years.

The tide does appear to be turning, however, with new apartment launches in prime submarkets, like the Palm Jumeirah rising. That said, waterfront sites that can easily be activated and plots in prime submarkets remain limited.

In total, the city's prime markets are expected to see 142 homes delivered by 2025, 94% of which are apartments (134 units) and 6% are villas (8 units).

Alpago's Palm Flower (11 apartments), and Ellington Beach House (123 apartments) on Palm Jumeirah as well as Bvlgari Mansions (8 villas) on Jumeirah Bay Island account for the bulk of new high-end homes coming to the city's prime neighbourhoods.

New apartment development under construction include the 930-apartments, Madinat Jumeirah Living, planned for completion in Q4 2025 in Umm Suqeim across of Burj Al Arab.

Elsewhere, Creek Beach Phase 3 at Dubai Creek Harbour is expected to add to the existing residential stock a total of c. 940 apartments by 2025.

In addition, Damac properties is under taking several villa projects in Damac Lagoons totalling to c. 7,500 units to be completed between 2024 and 2025.

Lastly, Tilal Al Ghaf is another submarket that is under going several villa construction projects, Alaya, Aura, Elan and Harmony to name a few. A total of c. 2,900 units are due for completion by 2025.

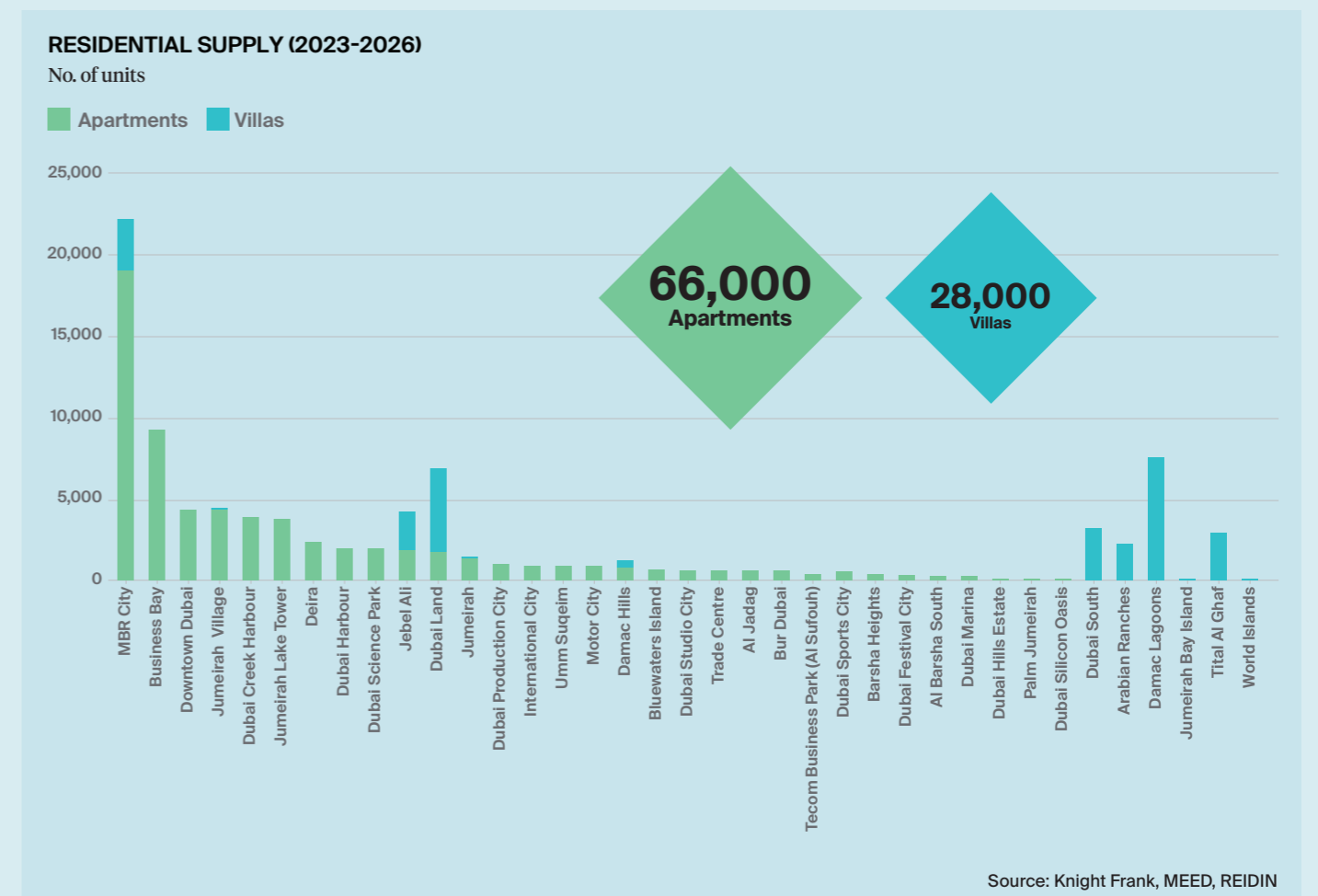


APARTMENTS DOMINATE SUPPLY

Away from the city's prime markets, Dubai's supply pipeline continues to grow. Our research shows that apartments remain the most popular residential unit type for developers, with 70% of the total supply up to 2026 falling into this category. This translates into 66,000 apartments.

62% of the apartment supply is expected to be delivered in just five submarkets: Mohammed Bin Rashid City (19,000 units), Business Bay (9,200 units), Downtown Dubai (4,300 units), Jumeirah Village (4,300 units) and Dubai Creek Harbour (4,000 units).

"The city's prime submarkets are expected to see 142 homes delivered by 2025, with 94% of these being apartments."



Source: Knight Frank, MEED, REIDIN

In focus: project launches

There are number of new launches that will contribute to Dubai's total residential stock in the next four to five years.

For a project to be classed as forthcoming supply, ground must be broken and/or construction must be underway.

With this definition in mind, we are currently tracking approximately 30,000 units in their launch stage. These are all excluded from our current supply pipeline predictions.

One of the most significant recent launches has been Aldar Properties' joint-venture with Dubai Holding to

build more than 9,000 residential units in the city's suburbs. The site of the new builds will be along the E311 and E611 corridors, with further details pending.

Almost 47 new residential projects were launched in Q1 2023 alone with apartments continuing to dominate.

Damac Bay by Cavalli at Dubai Harbour (885 units), Design Quarter Towers at Dubai Design District (558 units), DG1 Living at Business Bay (247 units), Serenia Living at Palm Jumeirah (226 units), Central Park Towers at City Walk (458 units) are some of the apartment launches, to name a few.

In addition, Dubai Expo City unveiled the launch of several residential developments. These will include Expo Central: Mangrove and Sky apartments, 450 and 401 units, respectively.

A further 532 villas will be constructed in Expo Valley, with completion expected by the end of 2026.

c. 30,000 units
launched units
(not yet under construction)

◆ Total number of launched units



Source: Knight Frank, MEED, REIDIN

Market outlook

FASTEST GROWING PRIME RESIDENTIAL MARKET

Dubai's prime residential market has and continues to be a global outlier, with record price growth in 2022, albeit this has been from a low base. Prime values are being fuelled by Dubai's safe-haven status, an exceptionally diverse range of international ultra-high-net-worth individuals in search of luxury second homes, combined with the government's world-leading response to the pandemic, which has spurred business confidence.

Adding to the city's appeal is its relative 'affordability', with prime homes transacting for around US\$ 800 psf, making Dubai one of the most 'affordable' luxury residential markets in the world. Overall residential prices trail 2014 peak levels by 15.2%.

Dubai's perennial challenge has been its 'build-it-and-they-will-come' mantra, which has resulted in more homes being built than the market is capable of absorbing. In this cycle however, the number of new high-end homes planned is failing to keep pace with demand.

Our view for 2023 remains unchanged, with the mainstream market likely to experience growth of 5-7%,

whilst the prime market grow at double this rate at about 13.5% - still the highest growth rate for any prime residential market globally.

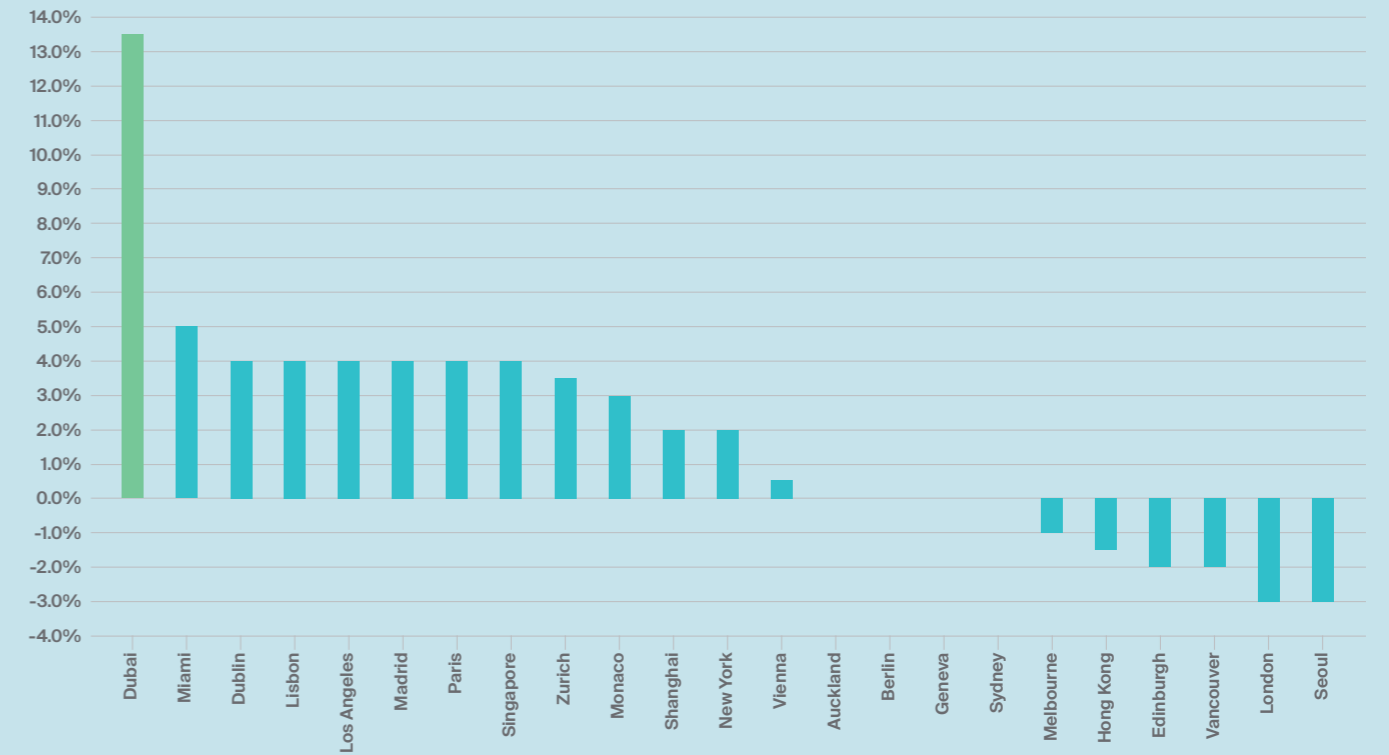
Supply is the other critical factor in our 2023 outlook, the city's prime markets are expected to see 142 homes delivered by 2025. Developers have not responded to the buoyancy in demand as we have seen in past cycles and with supply remaining limited and demand for luxury waterfront continuing to strengthen, our 2023 prime residential forecast of 13.5% is supported by a clear demand-supply imbalance as well as a positive economic backdrop.

A return to steady and sustainable growth will instil confidence in homeowners and investors alike.

Our outlook is not without its risks. Dubai is a global city and as such is to an extent vulnerable to global macroeconomic conditions. With increasing global economic uncertainty, Dubai is once again emerging as a safe haven destination, just as it did during the height of the Covid-19 pandemic.

PRIME DUBAI RESIDENTIAL MARKET TO BE WORLD'S FASTEST GROWING IN 2023

Forecast percentage growth



Source: Knight Frank, MEED, REIDIN



Soaring rents

LEASING MARKET PERFORMANCE

Away from the sales market and contrary to predictions, rents have kept pace with capital value growth, meaning there has been no yield compression.

Average rents in the city currently stand at AED 88 psf.

Rents for villas on the Palm Jumeirah have increased by about 31% compared with Q1 2022 and by just over 110% overall since the start of the pandemic, marking one of the highest gains in the market. Rents here currently stand at AED 152 psf.

More affordable villa locations are also recording similarly high growth in lease rates. For instance, at The Springs

(AED 80 psf) and Arabian Ranches (AED 80 psf), average lease rates have climbed by nearly 35% and 23% in the last 12 months, respectively.

In addition, apartment rents have also grown, rising by 26% since last year and currently stand at AED 90 psf. Palm Jumeirah (34%) and Business Bay (31%) lead the pack.

Overall, apartment lease rates have exceeded pre-pandemic levels by 27%, but are still some 13% lower than the last market peak in 2014.

Villas on the other hand have seen average rental rates rise by close to 58% since the pandemic began and are now 8% higher than last peak in 2014.



EXPERT INSIGHTS

ROOM FOR ARBITRAGE

Currently the market is very strong and is bucking the global trend. The best performing sector has been prime residential where there has been over 200 US \$10 million+ purchases in the last year, which was more than the last 8 years combined.

Consequently, we have seen HNWI buy mixed use single owner towers or compounds of villas, then break them up to sell individually. As they are buying

tenanted and on yield basis, there is often an arbitrage play between the capital value psf purchase price and the individual unit sale price. They are essentially buying bulk, evicting the tenants then breaking up the asset and selling individually with a view to make 20-30% margins.

Andrew Love
Partner, Head of Middle East Capital Markets

"Rents have kept pace with capital value growth, meaning there has been no yield compression."

LEASING MARKET GROWTH



Source: Knight Frank, REIDIN



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