

Dubai: The Green Agenda

2023

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Dubai’s quest for sustainable luxury living

The coming population boom

Dubai’s headline-grabbing real estate market has been supercharged by positive sentiment, a key ingredient in the Middle East. But the feel-good factor extends beyond sentiment, with economic KPIs pointing to sustained business positivity for over two years.

This positivity recently received a further boost with the announcement of Dubai’s Economic Agenda. D33 details a new roadmap for the emirate to double its foreign trade and emerge as the world’s fourth most prominent financial centre behind New York, London, and Singapore by 2033 when Dubai will mark 200 years since its founding. The population by this stage is also expected to close in on 6 million, up from 3.5 million today. A further expansion to 7.8 million is forecast by 2040 in the government’s 2040 strategic urban plan.

Clearly, the predicted perpetual growth in the city’s inhabitants will warrant the need for a large-scale building boom. Indeed, the city’s current housing stock of approximately 600,000 homes will virtually need to double if the population targets are to be met.

The pressure of the growing population is already evident in the real estate market, with residential values climbing over the last three and half years – while apartment prices still lag the 2014 peak by as much as 9.8%, villas now cost 9% more than they did nine years ago. And the key driver for this disparity? The global race for space and the dearth of villas across Dubai, particularly at the upper end of the market.

The #Dubailife

Villas have become synonymous with Dubai’s sun-sand-sea lifestyle – our own market experience has shown that this segment of the

“Dubai’s Economic Agenda (D33) details a new roadmap for the emirate to double its foreign trade and emerge as the world’s fourth most prominent financial centre.”

market has been a particular favourite of the world’s ultra-rich, many of whom have turned to Dubai as a second homes market, as evidenced by our recently published [Destination Dubai 2023 report](#).

Indeed, it is this insatiable demand for luxury villas that has translated into a shortage of high-end waterfront homes, driving prime prices up by almost 15.9% over the last 12 months – the second highest rate of growth globally following Manila, however Dubai remains one of the world’s most affordable prime markets, with US\$ 1 million securing three- or four-times more real estate than London, New York, or Singapore.

The breakneck growth of the city seems juxtaposed with the global climate emergency; however, the sustainability agenda is alive and well in the Middle East and is increasingly taking centre stage in the strategic development plans of the city.

Our 2021 Global Residential Survey showed a similar shift in attitudes amongst home buyers towards ESG issues, with buyers around the region showing a higher interest in greener homes when compared to their global counterparts.

While perhaps still an emergent consideration for residential purchasers, the concept of sustainable development can be traced back centuries across the Middle East. Mashrabiya, the Arabic word for trellis, or screening, has been used in Arab architecture for centuries to shield homes from the midday sun. Similarly, Barjeel, Arabic for wind-towers, were the Gulf’s original air conditioners, powered by nothing more than air currents and water-soaked fabrics.

ESG impact on Dubai’s commercial real estate

How sustainability is manifesting itself in the commercial market

Environmental, social, and governance considerations are however arguably more prevalent in the commercial market.

Most businesses in Dubai, particularly those of an international variety are actively seeking prime Grade A space, with a strong preference for green-rated buildings. Many have a global mandate to occupy green buildings, as seen to be actively responding to the climate emergency plays a significant role in attracting and retaining talent. This occurs through offering world-class work environments that embrace ESG considerations.

International businesses are increasingly focused on how their workplaces can enhance corporate culture and re-engage employees in a new age of agile working. Firms want to give employees the best higher quality and more engaging workplaces, with an emerging focus on employees and their well-being.

The resultant impact is a rise in office rents for best-in-class space, which remains in short supply – something that sits in stark contrast to many other

“Domestic and international occupiers are actively seeking efficiently managed, ESG-accredited, and well-maintained offices.”

established global centres. The market trend of occupiers gravitating towards new Grade A developments has continued to intensify throughout the first half of 2023. Domestic and international occupiers are actively seeking efficiently managed, ESG-accredited, and well-maintained offices.

Occupiers are clear on the link between high-quality offices and staff attraction and retention, which is likely to continue hampering the prospect of strong performance for older office buildings in the city. The bigger question lies in how landlords respond to the unwavering focus on well-managed, modern office buildings. ESG accreditations serve as the cherry on top and while there is demonstrable evidence of rental premia for green buildings around the world, the sustainability imperative is manifesting itself in different ways in the Middle East.

Older, more secondary office stock, however, almost irrespective of location is still facing challenges with lease rates in older buildings still trailing pre-Covid levels.



The green-building race

Meeting demand for cutting-edge offices
Other cities around the region too are embracing the green agenda, with Saudi Arabia’s US\$ 500 billion super-city, NEOM, for instance, declaring it intends to be the world’s most sustainable city and a benchmark for green developments globally when completed. When finished, NEOM will house over nine million people, across 300,000 homes.

While the Middle East embraces the importance of sustainability in the urban environment, other parts of the world are slightly ahead of the curve, mainly due to the high concentration of older buildings and the lack of new development sites. Still, the region and the UAE, in particular, have surprisingly high concentrations of green-rated buildings. On a global scale, the UAE has the 14th highest concentration of green-rated buildings. At a city level, London leads the pack with almost 3,000 green buildings (all BREEAM-rated), closely followed by New York and Singapore.

With 563 green buildings, Dubai is the only city from the region in the world’s top 25 cities for the highest number of environmentally accredited buildings, which includes both local and international accreditations.

Therein however lies a challenge. Most of the buildings with local green accreditations are not necessarily always considered by international occupiers and investors, which will likely pose challenges in the future. Saudi Arabia is ranked 54th with 38 green-rated buildings, while Kuwait and Oman have 12 green accredited buildings each and rank 69th and 70th, respectively. The United States leads the world with over 81,000 green buildings.

The emirate is taking steps to address the deficit of green buildings, with the 1 million square foot ICD Brookfield Place at the Dubai International Financial Centre and the transformation now underway at the site of the 2020 World Expo emerging as key benchmarks in the city’s green drive.

Expo City Dubai (ECD) is currently being transformed into a sustainable human-centric smart city. The site will reuse at least 80% of the

“On a global scale, the UAE has the 14th highest concentration of green-rated buildings.”

2020 Expo-built infrastructure, including LEED Gold and Platinum-certified buildings. The transformation presents a strategic opportunity for investors to address the existing shortage of Grade A office stock. Indeed, by September 2023, the site is expected to house approximately 3,000 employees from anchor tenants such as DP World, Emirates Airline, and Siemens.

Former country pavilions from Expo 2020 Dubai are also getting a new lease on life, including the University of Wollongong Data Science, Discovery and Innovation Centre in the Australia Pavilion, and the China Pavilion to support China-UAE relations and business development. In total, ECD is expected to add 1.2 million sqft to the city’s office market.

These projects aim to meet the escalating demand for cutting-edge offices, further solidifying Dubai’s position as a leading global business hub. Of note also is the fact that a significant proportion of under construction office projects have already been pre-leased, highlighting the depth of demand in the market.

Learn more about sustainability in the Middle East’s real estate markets in our 2022 published whitepaper - [The ESG Imperative: The View from the Middle East](#).

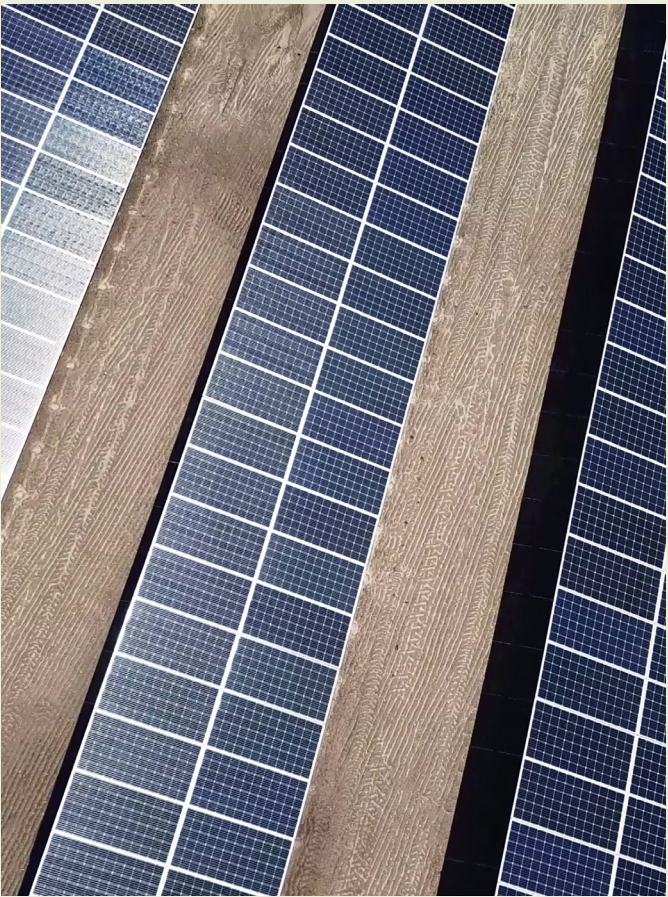
A greener future?
Dubai’s future urban development has been irrevocably tied to sustainability, with the government legislating for a greener future through a raft of policies and initiatives, ranging from the construction of the world largest single-site solar power plant - now in operation and responsible for 15% of the emirate’s energy needs (75% of power generation in the city is expected to come from renewables by 2050) – to the decision to have 35% of all buildings delivered using 3D printing by 2030.

Furthermore, the government’s green commitments have also seen the recent declaration that 60% of the emirate’s 4,100 square kilometre land area will be dedicated to nature reserves.

Regional green building concentrations



Source: Knight Frank

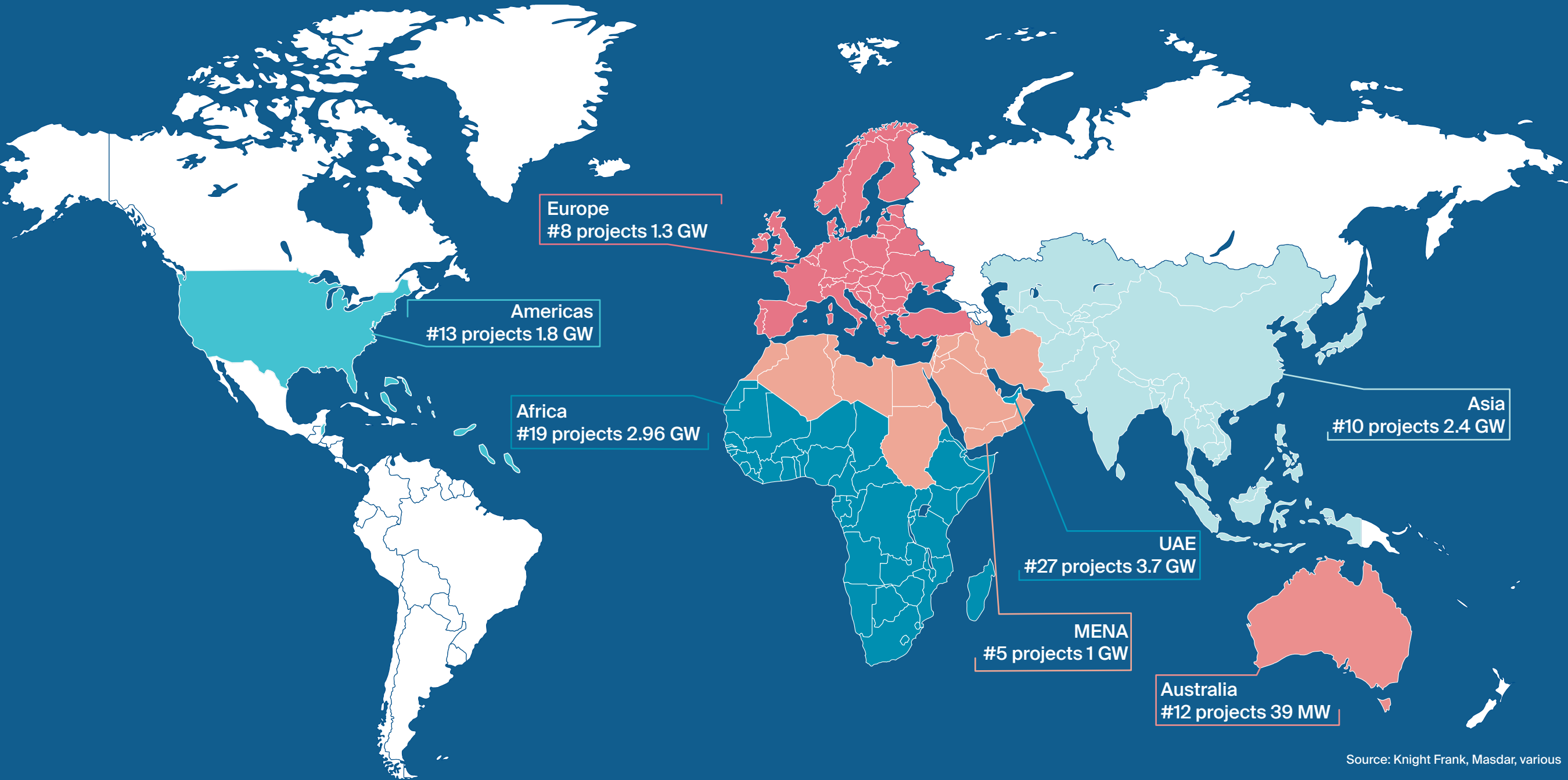


GLOBAL GREEN ENERGY PROJECTS

Through Masdar, the UAE has a total of 94 green energy projects contributing 13.6 GW of PV Solar and Wind Farms internationally.

GLOBAL GREEN ENERGY PROJECTS

24 years of commitment to climate change efforts	15 years of financing clean energy projects	US\$ 100bn investment in renewable energy projects by 2030
165,000 new jobs in the green economy sector	40% reduction in emissions by 2030	14 GW clean energy production capacity by 2030
US\$ 16.7bn green energy investments in 70 countries		15 million tons of green hydrogen by 2050



Source: Knight Frank, Masdar, various

We like questions. If you've got one about our research, or would like some property advice, we would love to hear from you.

Faisal Durrani

Partner - Head of Research, MENA
faisal.durrani@me.knightfrank.com
+971 4 426 7698

Andrew Love

Regional Partner - Head of Capital Markets & Occupier/Landlord Strategy and Solutions, MENA
andrew.love@me.knightfrank.com
+971 50 777 9595

Stephen Flanagan

Regional Partner - Head of Valuation and Advisory, MENA
stephen.flanagan@me.knightfrank.com
+971 50 813 3402

Shehzad Jamal

Partner - Strategy & Consultancy, MEA
shehzad.jamal@me.knightfrank.com
+971 56 410 1298

Imran Hussain

Partner - Head of Residential Valuations, UAE
imran.hussain@me.knightfrank.com
+971 50 383 2491

Tim Holmes

Partner - Head of Commercial Valuations, UAE
tim.holmes@me.knightfrank.com
+971 50 327 0274

Bradley Rands

Partner - Head of Mortgage & Debt Advisory, MENA
bradley.rands@me.knightfrank.com
+971 56 420 6734

Ben Walker

Partner - Head of Building Consultancy, MENA
ben.walker@me.knightfrank.com
+971 50 245 6659

Onzie Jones

Partner - Property Asset Management, UAE & KSA
onzie.jones@me.knightfrank.com
+971 54 322 4749

Dean Foley

Associate Partner - Residential Project Sales & Marketing, UAE
dean.foley@me.knightfrank.com
+971 50 106 0784

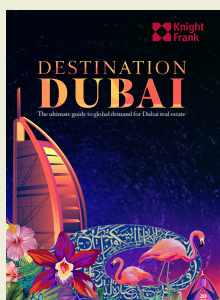
Lars Jung-Larsen

Partner - Luxury Brands, MENA
lars.junglarsen@me.knightfrank.com
+971 50 378 0902

Aliaa Elesaaiki

Manager - Research, Egypt
aliaa.elesaaki@me.knightfrank.com
+20 566 954 5109

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Our registered office address: 39th floor, Media One Office Tower, Al Falak Street, Dubai Media City
Knight Frank, Building 7, Laysen Valley, Riyadh, Kingdom of Saudi Arabia | Knight Frank, 47th floor, The Headquarters Business Park, Jeddah, Kingdom of Saudi Arabia

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