

2024

Real estate sector in UAE - overview



THINK TANK EGYPT

Think Tank Egypt - TTE

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Report scope: This overview report will shed light on UAE's real estate sector, particularly the residential sector in Dubai and Abu Dhabi.

UAE economy indicators:

<i>Population:</i>	<i>9.57 M citizen</i>
<i>Citizens</i>	<i>1.15 M</i>
<i>Residents</i>	<i>8.42 M</i>
1-Economic indicators	
<i>Purchasing power in USD.</i>	<i>\$ 895.17 B</i>
<i>GDP in USD.</i>	<i>\$ 507B</i>
<i>GDP growth rate</i>	<i>3.8%</i>
<i>Inflation</i>	<i>3.6%</i>
<i>Labor force</i>	<i>6.668 M</i>
<i>Unemployment Rate</i>	<i>2.95%</i>
<i>FDI</i>	<i>\$ 15 B</i>
<i>Foreign currency reserve</i>	<i>681 B</i>
<i>Exchange rate to USD</i>	<i>3.67 AED</i>
<i>Corporate tax</i>	<i>9%</i>
<i>Personal income tax</i>	<i>0%</i>

Construction sector in a glance:

- **6000** Construction Company working in UAE market.
- Construction market size reached \$ 41 B in 2024 and it's expected to reach \$ 50.4 B in 2029.

UAE Real estate market overview:

UAE is one of the richest countries in the world, with a GDP per capita of US\$185,837 in 2023.

The Real Estate market size is expected to reach \$ 710 B by the year 2024.

The Residential Real Estate holds a market volume of \$ 410 B in the same year.

The annual growth rate of 3.03% is expected between 2024 and 2028, resulting in a market volume of \$ 800 B by 2028.

Residential: In the residential sector, developers continued to launch new projects to meet the growing demand from investors. Additionally, remarkable growth was observed in transactions in both the primary and secondary markets.

Most residential property buyers in Dubai and Abu Dhabi are UAE nationals, followed by Indians, Saudis, British, and Pakistanis.

Dubai:

The total housing stock in Dubai is **719,000** units by end-2023.

About 34,000 units are scheduled to enter the Dubai market in 2024

In Dubai, the market less sensitive to mortgage interest rate changes in 2023, mortgage transactions accounted for 8,238 deals, while cash deals accounted for 16,485 deals.

Price index rose strongly by 20.14% y-o-y during 2023, a sharp acceleration from annual increases of 9.53% in 2022.

Residential Demand is expected to rise further in the coming years, driven by population growth.

Dubai residential property prices were up by 3.4% in Q4 2023.

By property type:

- **Apartment prices** in Dubai surged by **19.83%** during 2023, more than twice the prior year's 8.98% growth. Quarter-on-quarter, apartment prices were up by 3.16% in Q4 2023, The average purchase price of apartments in Dubai was **AED 1, 500,000** by end-2023
- **Villa prices** increased sharply by **21.76%** during 2023, following a 12.78% growth in 2022. Quarterly, prices rose by 5.06% in Q4 2023, the average purchase price of villas stood at **AED 3, 200,000** over the same period.

Demand continues to increase strongly in Dubai. Registered sales transactions reached a record **133,134** deals in 2023, up by an impressive 38% from **96,459** deals in 2022.

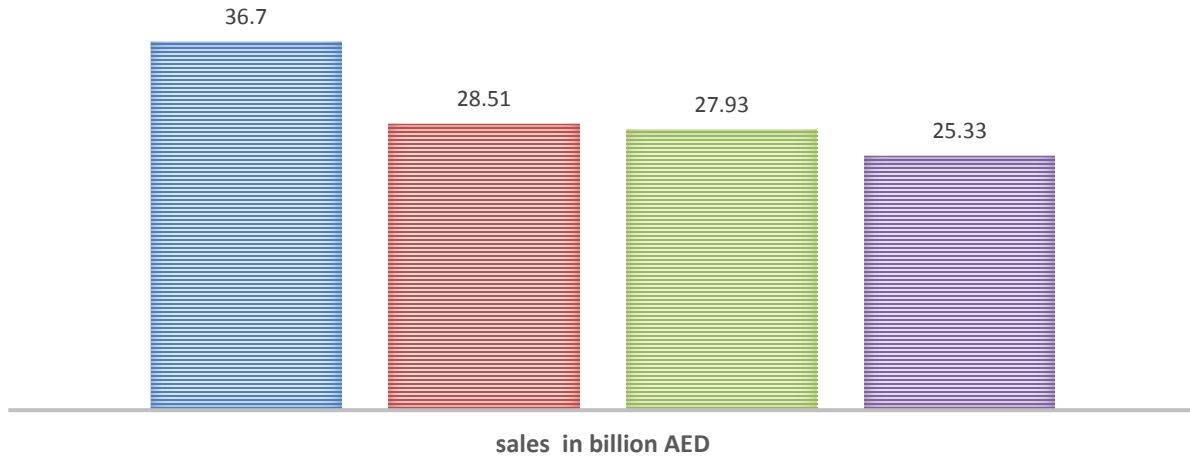
Last year, the (\$155.54 billion), encompassing deals for apartments, villas, commercial properties, and plots, including both cash and mortgage deals. This represents a substantial y-o-y growth of 45.8% from AED 391.8 billion registered in 2022.

In Dubai During 2023:

- **Apartment sales transactions:** AED 218 billion in 2023 up by a huge 48.2% from 2022.
- **Villa sales transactions:** AED 65.7 billion in 2023 up by 8.2% from 2022.

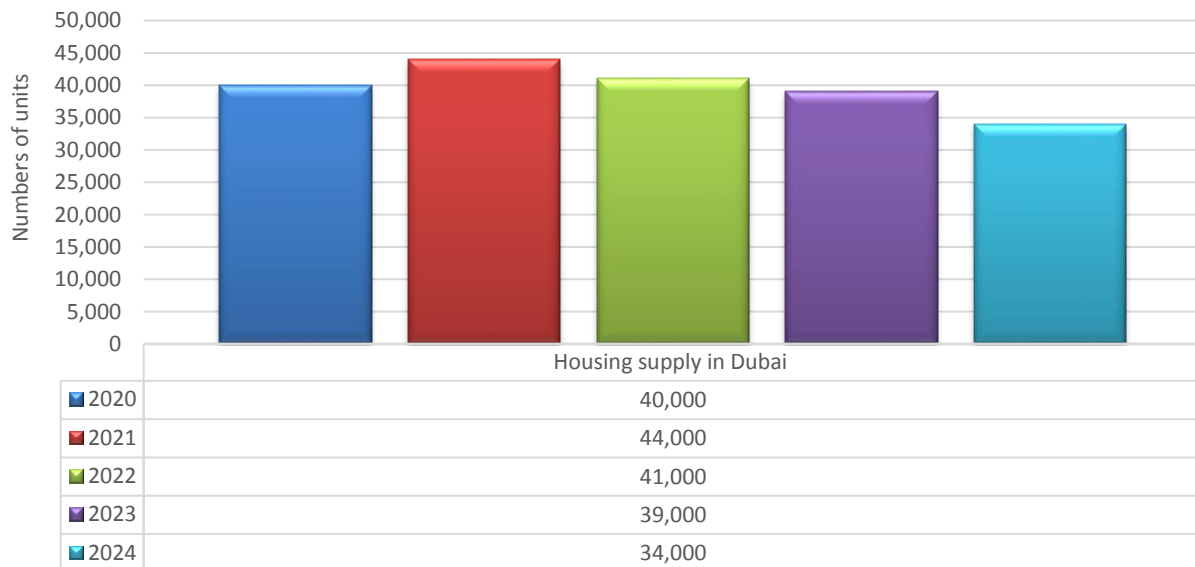
DUBAI'S HIGHEST SALES VOLUME BY DISTRICTS IN 2023

■ Dubai Marina ■ Palm Jumeirah ■ Jebel Ali Industrial First ■ Wadi Al Safa 3



Housing supply continues to rise

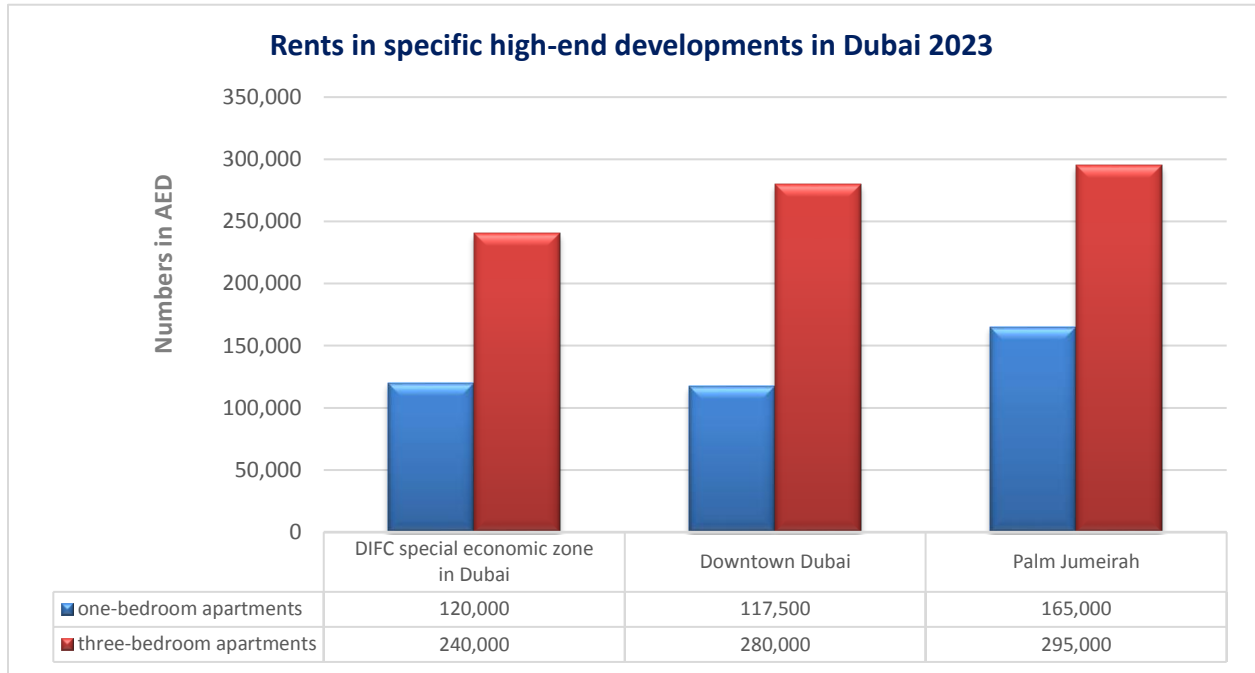
Yearly Housing supply in Dubai 2020 - 2024



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Rents in specific high-end developments in Dubai 2023:



Completions in the past recent years have been among the highest ever recorded, mainly due to Expo 2020.

In **Dubai**, rental rates for all residential units were up by a whopping 18.93% in December 2023 from 2022. Rental rates for apartments surged by 19.31% y-o-y, while rents for villas increased by 21.76% y-o-y from 2022.

In **Dubai**, gross rental yields are good, averaging 7.13% in December 2023.

- **Apartments:** rental yields were 7.51% in December 2023, almost unchanged from 2022.
- **Villas:** rental yields stood at 5.64% in 2023, slightly down from 5.92% in 2022.

Abu Dhabi:

In Abu Dhabi the total housing stock is 284,000 units by end 2023.

About 8000 units are scheduled to enter Abu Dhabi market in 2024.

Abu Dhabi depicts a different scenario, where mortgage transactions are more dominant than cash deals. In Q3 2023, there were 1,247 mortgage transactions in the emirate, as compared to 890 cash transactions (excluding off-plan sales).

Price growth is more subdued, with the all-residential property price index rising by a modest 4.96% in 2023 from 2022.

By property type:

- **Apartment prices** in Abu Dhabi increased modestly by 4.44% during 2023, after rising by a minuscule 0.91% in 2022. In 2023.
- **Villa prices** rose by 7.47% in 2023 from 2022, prices were unchanged in Q4 2023.
- In Abu Dhabi, the number of transactions also reached a record high of 13,298 units in 2023, up by a whopping 75% from 2022.

Housing market

The housing market started to recover in 2021, as activity slowly returned to its pre-pandemic levels. Abu Dhabi prices increased by 1.56%. The trend continued in 2022, with Dubai house prices rising by another 9.53% while they increased by just 1.46% in Abu Dhabi by 2023.

The housing market continued to gather pace 2023, buoyed by robust demand. Dubai prices soared by 20.14% while Abu Dhabi prices increased by 4.96%.

In **Abu Dhabi**, gross rental yields were slightly lower than that of Dubai but remain relatively good at an average of 6.31% in December 2023.

- **Apartments:** gross rental yields stood at an average of 6.66% in December 2023, almost unchanged from the same period in 2022.
- **Villas:** rental yields were 5.2% in December 2023, slightly down from 5.46% in 2022.

Demand is also soaring in Abu Dhabi

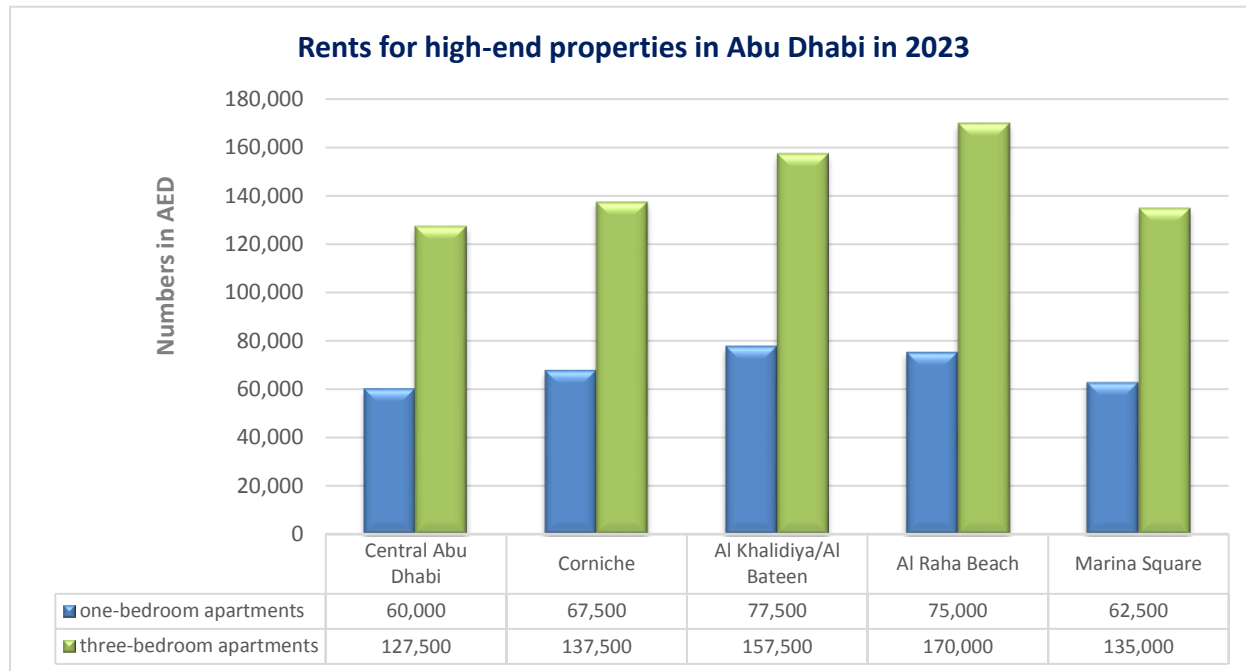
During 2023, the number of transactions in Abu Dhabi reached a record high of 13,298 units, up by a huge 75% from 7,957 units in 2022; total transaction value also surged by 120% y-o-y to AED 44 billion last year, from AED 19.9 billion in 2022.

Housing supply continues to rise



In Abu Dhabi the total housing stock is 284,000 units by end 2023.

Rents for high-end properties in Abu Dhabi 2023:



In Abu Dhabi, the apartment rental market has also been growing, with average rents increasing nearly 10% y-o-y in 2023.

In **Abu Dhabi**, gross rental yields were slightly lower than Dubai, but remain relatively good at an average of 6.31% in December 2023

- **Apartments:** gross rental yields stood at an average of 6.66% in December 2023, almost unchanged from the same period in 2022.
- **Villas:** rental yields were 5.2% in December 2023, slightly down from 5.46% in 2022.

In Abu Dhabi, the average rental rate for all residential units increased modestly by 3.9% y-o-y in December 2023. Rental rates for apartments rose by 4.21%, while it increased by 7.47% for villas.

New system for long-term residence visas:

(Golden Visa) for foreign investors and professionals was put in place. It allows expats to live, work, and study in the country without needing a national sponsor. They can also enjoy 100% ownership of their business. These visas will be issued for 5 or 10 years and will be renewed automatically.

Eligibility for a 10-year visa:

- Investors with public investments of at least AED 10 million.
- Persons with specialized talents, such as doctors, scientists, specialists, inventors, as well as creative individuals in the field of culture and art and outstanding students.

Eligibility for a 5-year visa:

- Investors in a property in the UAE with a gross value of not less than AED 5 million. The amount invested in real estate must not be on a loan basis and the property must be retained for at least 3 years.
- Entrepreneurs with an existing project with a minimum capital of AED 500,000.
- Purchase real estate in the UAE for AED 2 million to get a 10-year Golden Visa. Another option is buying real estate for AED 750,000 to obtain a 2-year residence visa.
- Purchase real estate for AED 2 million to get a 5-year residence visa. Investors may also purchase a property for AED 750,000 to get a 3-year residence permit.

Foreign homeownership rules are now very liberal

- Foreign ownership laws are now very liberal in the UAE, particularly in Dubai and Abu Dhabi.
- Foreign nationals are now allowed to buy freehold properties in designated areas in Dubai.
- Gulf Cooperation Council (GCC) nationals are allowed freehold ownership anywhere in the Emirates.

Abu Dhabi allows foreigners to own property in designated investment zones on a freehold basis. This followed other market-boosting measures. In 2012, the government compelled public sector employees living outside Abu Dhabi to relocate within the emirate's borders. Then in November 2013, the government canceled a 5% cap on annual rent increases.

The key interest rate kept at 5.40%

However, due to the continuous increase in key interest rates to tame inflation, mortgage owners with variable rates in the emirates have seen their mortgage interest rates surge from 2% to 3% annually to 6% to 9%. Some homeowners are even paying more than 10% mortgage rates.