

Real Estate Industry in Dubai, UAE

The city is set to become an attractive real estate investment destination again as a result of EXPO 2020



Dubai Economy in collaboration with Frost & Sullivan have undertaken detailed studies of key industry and business segments in Dubai with a focus on trends and opportunities

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Dubai is projecting itself as an attractive investment destination - EXPO development and smart city initiatives to drive the growth

Real estate is a major sector and contributed **6.6%** of Dubai's GDP in 2016. It witnessed a boom in the early 2000s as a result of liberalization, influx of expatriates and high investments by foreign investors.

However, it was affected by the global recession in 2008 and fall in oil prices in 2014, but has since recovered due to investments by the Government to make Dubai an attractive real estate market.

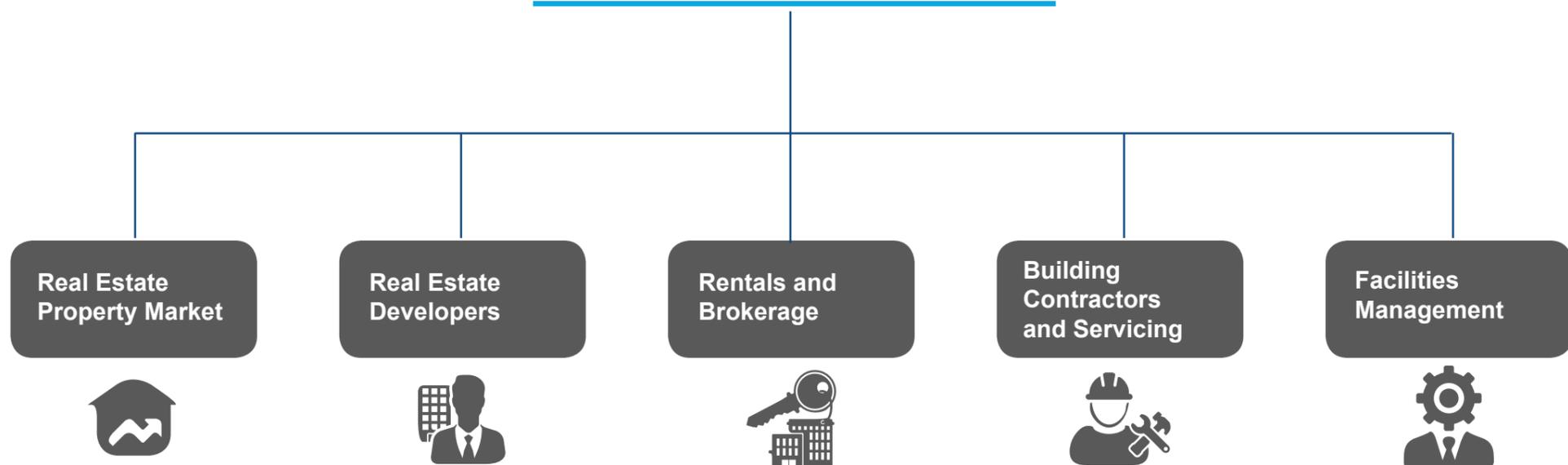
The key drivers of growth in the sector are growth in tourism and rapid urbanization.

High disposable income, world-class infrastructure, and connectivity have made Dubai an attractive investment destination.

Indians were the highest investors in Dubai's property market (~AED 20 Billion), followed by Saudi's (AED 12 Billion) in 2016.

The real estate market in the Emirate has also got a boost in the form of availability of housing loans. Almost **17%** of the total bank loans were towards the construction and real estate sector in the Emirate.

Real Estate



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Hospitality Market:

The hospitality market in Dubai has remained stable with an average room occupancy rate of **78%** in 2016.

The city expects **~45 Million** visitors by 2020 as a result of EXPO and tourism, which is expected to increase the demand for hotel rooms in Dubai.

Currently, Dubai has **~100,000 rooms** and the DTCM plans to have between **140,000 - 160,000 rooms** by 2020.

There is a high concentration of hotel room supply in the luxury, upscale, upper upscale hotel room segments (**41%**), while only **12%** catered to the mid scale and upper midscale segments, which has resulted in undersupply of midscale rooms.

Due to this there has been more focus on mid scale hotel segment with **~25%** of the rooms under construction in Dubai falling under the mid scale segment.

The popular areas for Dubai's hospitality market are Jumeriah Beach Residence, Palm Jumeirah and Dubai Marina.

Dubai's hospitality real estate market is also faced with the challenge to ensure that there is no oversupply of hotel rooms post-EXPO.

Location 	Occupancy Rate, 2016 
JBR	84%
Dubai	84%
Palm Jumeirah	81%
Bur Dubai	81%
Deira	80%
Garhoud and Airport	80%

Dubai was 4th on Mastercard Global Destination Cities Index in 2016. It had **14.9 Million** international overnight visitors.



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Residential Market:

Low priced residential segments performed better than the higher priced segments.

Areas such as Downtown Prime, Jumeirah Beach Residence Apartments have had steep fall in their average sales prices due to affordability factor.

The average residential transaction in Dubai was **AED 2.9 Million** in 2016 and the total transactions were **~ 10,000**.

Apartments accounted for almost **90%** of the residential transactions in Dubai.

Gradual recovery of oil prices and growth in economy as a result of the EXPO are expected to boost the investor sentiment in Dubai's residential real estate market.

Availability of housing loans is expected to encourage buyers and developers. However, affordability factor to drive buyers away from costlier locations.

Area Name 	Prices (AED per sq. ft.) 
Downtown Prime	3,763
Marina Prime	1,900
Palm Jumeirah Apartments	1,583
Jumeirah Beach Residence	1,316
International City	701

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Retail Market:

Dubai has established itself as one of the major retail destination in the world.

Almost **98%** of the global retail brands have their presence in the Emirate.

There was an addition of **~3 Million sq.ft** Gross Floor Area (GFA) of retail space in 2016.

However, there has been a fall in retail spending in the Emirate due to various factors such as the **fall in disposable income and reduced purchasing power for international** visitors as a result of strong performance by the local currency.

With the expected growth in tourism and EXPO 2020, there are several retail developments in the pipeline in Dubai (**~13 Million sq.ft.** GFA, expected to be completed before 2020).

New concepts such as luxury outlet village, Boxpark Dubai Citywalk and the Dubai Design District (D3) are designed to generate wider tourist appeal.

Area Name 	Market Share %, 2016 
Dubai Mall	30%
Mall of the Emirates	20%
Deira City Center	9%
Dubai Festival City	8%
Ibn Battuta	5%
Mirdiff City Centre	3%
Other Malls	3%
Non-Mall Retail outlets	22%

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Commercial Market: Dubai's business friendly environment and world-class infrastructure to attract international companies to the Emirate

There was an addition of **~1.3 Million sq.ft** Gross Leasable Area (GLA) of office space in the Emirate in 2016, with almost **55%** of the developments in the Business Bay area.

Some of the key office areas in the Emirate are DIFC, WTC and SZR.

A total of **~10 Million sq.ft.** GFA is under construction in the Emirate and is expected to be completed by 2020.

International Grade A offices, which have single ownership and can be pre-let to corporate occupiers have performed well, but are under supplied in the Emirate. Due to lack of International Grade A offices in the Emirate, there is an emerging trend of building build-to-suit offices.

Dual licensing and establishment of free zones are also expected to give a boost to the commercial real estate market in Dubai.

Medium sized offices (**1,000 sq.ft. to 5,000 sq.ft.**) have also had increasing demand due to the global slowdown and fall in oil prices leading to reduced capital expenditure by companies.

Development of mega projects such as the Al Maktoum International Airport are expected to result in demand for office spaces in the surrounding areas.

Area Name 	Average Office Rent (AED per sq.ft. per year), 2016 
Dubai International Financial Centre (DIFC)	225
World Trade Centre (WTC)	180
Sheikh Zayed Road (SZR)	120
Business Bay	100



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Transparency in the functioning and DLD's initiatives to promote the real estate sector are expected to aid the growth of real estate developers in the Emirate

Mashrooi App

It allows users to search any real estate project in the Emirate and also helps track the progress.

It is also used by the real estate developers to showcase their projects to attract prospective investors.



The real estate market in the Emirate is undergoing a transition as there is a shift in demand from luxury high end properties to affordable properties.

This is due to the global slowdown and low oil prices, which has resulted in reduced purchasing power and low investor confidence.

Developers in the Emirate provide **100%** construction guarantee through the escrow account, which increases the investor confidence in the project. DLD also conducts events globally, through which it provides platforms for real estate developers in Dubai to showcase their projects and facilitate transactions.

Major Real Estate



DAMAC



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Rentals and Brokerage

Dubai has registered the highest rental yields amongst all the global yields, which has led to growth in the real estate market and presents opportunities for rental and brokerage firms.

Dubai has **2,285 brokerage** firms and **5,933 brokers** registered with RERA in Dubai. There were **~33,000 transactions** in the sector in 2016.

The high number of transactions in Dubai's real estate market is also a sign of good health of the market.

DLD had launched an app, which provides details of all registered real estate brokers. It also ranks the firms based on the ratings provided by the users.

High rental yields in Dubai compared to other global cities is expected to attract investors from world-over – brokers to play a key role in finding the right property.



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Building contractors and MEP companies to ensure there is sustainable and smart development of projects in Dubai's real estate sector

Dubai had approximately **3,200** active construction projects worth **AED 900 Billion** in 2016, which is a reflection of the construction industry's good health.

EXPO and rapid urbanization in the Emirate are the key demand drivers for construction projects in the Emirate.

Increasing focus on sustainability from the building developers and contractors due to Government initiatives and regulations to protect the environment.

Building contractors/ servicing companies are increasingly using sustainable technologies such as the 3D printing technology.

The Emirate ranked 26th amongst global cities for construction cost per sq. m. (~**AED 6,300**). This is due to availability of cheap labour, energy and building materials in the Emirate.

Internet of Things (IoT) designs in buildings are increasing in the Emirate as Dubai is planning to become the Smartest city in the world.

MEP servicing firms are expected to play a key role in IoT design and implementation in buildings, which is expected to facilitate their growth.



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Increasing demand for efficiency and quality of facilities in the buildings are expected to drive the demand for facility management firms

The UAE's Facilities Management (FM) market is the fastest growing in the GCC. It was worth **~AED 13 Billion** in 2016 and is expected to reach **~AED 21 Billion** by 2020.

It is due to the growth in construction activities in the Emirate ahead of the EXPO 2020 and presence of large multi national firms.

There are more than **100 FM firms** in the Emirate. Imdaad is the leading firm in the GCC and has a strong presence in the UAE.

There is increasing focus towards built environment in line with Dubai's sustainability goals.

Dubai Creative Clusters Authority (DCCA) has requested all the building owners in all its clusters such as the Dubai International City and Dubai Media City to register their FM firms with the DCCA. This is done in order to ensure safety and standards of the environment are maintained.

There is also more focus towards smart FM, as there is increasing adoption of technology by all the sectors.

FM firms are expected to adopt technologies such as Internet of Things (IoT), Big Data and 3D printing technology to ensure that they provide high quality services with high efficiency.

5 Main spheres of Facility Management

Building Operation
and Maintenance

Environmental
Management

IT and
Telecommunications

Property
Management

Support Services

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EXPO 2020 is expected to emerge as the path for recovery for Dubai's real estate market

Digital transformation is the major disruption in Dubai's real estate market - DLD has launched smart initiatives in line with the Dubai Government's goal to make Dubai the 'Smartest City' in the world.

These smart initiatives are expected to increase the efficiency, transparency and increase the investor confidence in Dubai's real estate market.

Dubai's property prices have seen a declining trend or have not seen a significant growth since 2014, but is expected to have bottomed out and is forecasted experience growth in the future led by the EXPO.

Growth in tourism sector is expected to lead the recovery of the hospitality and retail segments of the real estate sector, while the EXPO is expected to lead the recovery in residential and commercial real estate market.

With the Governments around the world shifting towards greener technologies and implementation of strict laws, building contractors and developers are expected to develop sustainable projects in the future.

Dubai Government plans to develop all regions of the Emirate and development of mega projects in new areas are expected to lead to development of new real estate properties.

However, the market must be cautious not to oversupply the market post-EXPO and DLD is expected to play a key role in ensuring this.



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Glossary and Definitions

Abbreviation	Expansion
AED	United Arab Emirates Dirham
DLD	Dubai Land Department
MEP	Mechanical, Electrical, Plumbing
DTCM	Department of Tourism and Marketing
ADR	Average Daily Rates
GFA	Gross Floor Area
GLA	Gross Leasable Area
DIFC	Dubai International Financial Centre
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
RERA	Real Estate Regulatory Authority
IoT	Internet of Things
DEWA	Dubai Electricity and Water Authority
DCCA	Dubai Creative Clusters Authority
SZR	Sheikh Zayed Road
WTC	World Trade Centre
UAE	United Arab Emirates

Definition	
Middle East	Bahrain, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, the United Arab Emirates and Yemen
Gulf Cooperation Council	Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates
United Arab Emirates	Emirate of Abu Dhabi, Emirate of Ajman, Emirate of Dubai, Emirate of Fujairah, Emirate of Ras al-Khaimah, Emirate of Sharjah, and Emirate of Umm al-Quwain



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Dubai Government's initiatives strive to promote its real estate sector; Key objective to protect rights of all parties involved in the sector

01 TANMIA

- Tanmia in Arabic means 'Development'.
- The initiative is aimed at reducing the number of stalled projects in the Emirate.
- The DLD acts as a mediator between those project developers and investors.
- The developers will have to register their projects with the DLD, while the investors will also have to register.

02 Tarweej

- The initiative aims at promoting the real estate projects in Dubai under the cover of DLD through the establishment of developers gathering.
- It enables exchange of expertise between developers and identifies the best practices in the sector.

03 .Taskeen

- The initiative is aimed at attracting international investors.
- It allows foreign investors to apply for visa to Dubai based on the property owned by them in Dubai.
 - An individual owning a ready to occupy property worth more than AED 1 Billion, can apply for 6 months multiple entry visa.
 - If the property does not have any mortgage attached, then the owner can apply for 2 years residence visa.

04 Dubai Global Initiative Real Estate Connect

- The initiative includes visits to leading real estate agencies and organisations around the world.
- It aims to strengthen the network between developers and promote Dubai's real estate market.

05 Takamul

- It is a collaboration between DLD and DEWA.
- It allows customers to get electricity and water connection immediately after registering their property with RERA.
- The initiative is expected to reduce time and effort for customers.

06 Emart

- An online portal for real estate developed by the DLD.
- It is designed for real estate developers to list their property for sale and auction.
- The investors can search for the listed properties, communicate with the developers/ sellers and perform transactions online.

07 Tadeem

- It is a real estate investment map, which allows investors around the world to search for projects in Dubai online.
- The objective is to increase competitiveness using integrated systems in DLD's website and attract investors providing information needed to make decisions.

