

Commercial Real Estate Market In Uae - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 150 pages | Mordor Intelligence

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Report description:

The UAE commercial real estate market is expected to record a CAGR of approximately 6% during the forecast period (2022-2027).

The UAE economy has experienced uncertainty within its main drivers in the non-oil industry. The COVID-19 pandemic significantly impacted the travel, hospitality, retail, and real estate sectors.

Major real estate groups already announced relief packages in 2020 across their business segments, including rent reliefs, deferred payment plans, and waivers of administrative charges, to support their customers and business partners. Major public and private developers are currently focused on ensuring a faster execution of the ongoing projects to deliver the best quality product to investors.

After an uncertain year due to the pandemic, 2021 has seen a big shift in Dubai's commercial property market, with increased prices for sales and leasing. After years of limited supply and decreasing prices, the market started recovering with a surge in demand for sales. The rental prices have been at a nine-year low up to 2021. However, in five years, the prices started rising and stabilizing for the first time in five years. As a result, there has been intensive buying of office spaces by investors and end-users, resulting in a 132% increase in office sales in the first eight months of 2021.

UAE Commercial Real Estate Market Trends

Increase in Demand for Office Spaces across Dubai To Drive the Market

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The total stock of office units in Dubai stood at nearly 9 million sq. m of GLA in 2021. Around 70,000 sq. m of GLA was added in H2 2021. An additional 70,000 sq. m of quality office space is expected to enter the market by the end of 2022, with some of the notable projects, including the Obsidier Tower.

The majority of the demand for office units came from small units (less than 1,000 sq. m) with a preference for CAT A fit-out rather than shell and core space. Several new initiatives have been launched to boost demand for commercial real estate in Dubai, such as the introduction of the One Free Zone Passport, which allows free zone companies to extend their operations to mainland Dubai. These initiatives are likely to boost demand for offices across the city in the coming years.

Dubai's commercial property market saw a massive increase in the supply of office space. As a result, there was an oversupply in the market, which caused prices to decrease and led to the shutdown of new major commercial developments. However, in the last few years, increasing demand absorbed the majority of this oversupply. Currently, the demand is starting to outstrip supply. With no new major developments on the horizon, this trend is set to continue and boost prices.

Increase in Hotel Real Estate Across Key Cities in the United Arab Emirates

The total number of hotels and similar establishments in Dubai decreased to 755 in 2021 compared to 1,089 in 2020. The tourism sector added 8% to the country's GDP in 2021. Dubai Expo 2020 boosted tourism in 2021. However, it has a long way to go to reach pre-pandemic levels.

The United Arab Emirates continues to dominate the Middle Eastern travel market with its supply and bookings across all travel segments, which was seen in Expo 2020 in October 2021. After the challenging times of the pandemic, the Expo proved a welcome opportunity for those in the hospitality industry. The benefits of this event are already being noticed in the economy. The Emirates' robust new safety measures deployed across various sectors and major initiatives taken by the government have further cemented the country's position as a safe destination for global travelers.

UAE Commercial Real Estate Market Competitor Analysis

The UAE real estate market is fragmented, with the presence of many players. It also has a strong potential for growth. The real estate companies in the United Arab Emirates are seeking to consolidate to rebuild their profits as renewed economic growth is attracting new investments.

The developers are trying to bring new and lower-cost products to meet the current demand. Evolving technological advancements, such as new proptech solutions, are driving the market in terms of increased transactions and better management of real estate assets. Some of the major players in the UAE commercial real estate market include Nakheel properties, Deyaar, Jabal Omar, Aldar, and Rak Properties.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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