

Property Review

# UAE Real Estate Report

Q2 2023



استيڤكو  
zsteco



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Al Tamimi & Co.

ABU DHABI



# Market Overview

## Supply\*

Approximately 1,400 apartments were added to Abu Dhabi's housing stock over Q2 2023, with another 2,200 apartments and 850 villas expected for delivery by the end of 2023. Whilst new supply was distributed across most established International Investment Zones, the bulk was delivered within the Al Reem Island and Saadiyat Island master plan communities.

A number of new projects were launched for sale in Q2 2023. Of particular note were Murjan Saadiyat and The Source on Saadiyat Island, as well as Jubail Island Phase 3.

Several new projects are also in the planning / design stage. Official announcements are expected in H2 2023 and early 2024.

## Rental Rates

Prime and high-quality residential developments (apartments and villas) remained in high demand. Rental rates within this category increased between 2% and 5% on average over Q2 2023. However, there were some communities that outperformed. Prime villa communities remained the most sought-after, specifically the properties located on Saadiyat and Yas Islands, with rental increases as high as 10% compared to the same period last year.

Mid and low-quality developments remained relatively stable with nominal rental rate changes. However, lower quality stock continued to face pressure from rising supply and expanding number of options.

Strong demand for office space, particularly within the Grade A / B+ category, continued to apply upward pressure on rental rates. Interest is being registered from both existing companies seeking to expand their footprint and new entrants to the Abu Dhabi market.

## Sales Prices

Strong transactional volumes were recorded in Q2. Sales activity (for completed and off-plan developments) reached their highest levels in over a decade with a significant proportion of this demand coming from the end user segment.

Sales prices for completed apartment developments proved relatively stable, with an average 1% annual increase. Al Raha Beach and Reem Island recorded the highest increase.

Average villa sales prices within Abu Dhabi increased by close to 2% over the quarter. However, high-end and well-established villa communities continue to outperform, with certain communities achieving sales price growth closer to 6%. Within this segment Yas Island and Saadiyat Island continued to see the strongest demand. Similarly, prime and high-quality off-plan projects in those locations have also been well received with sales rates ranging between AED 1,500 and AED 3,800 per square foot.



\* It is important to note that whilst a number of projects may have received completion certificates, Asteco does not consider a project delivered until the handover process has been initiated and the units are available for lease in the open market.

# Abu Dhabi Supply

	Completed in Q1 2023	Completed in Q2 2023	Projected END OF 2023
 <b>APARTMENTS</b> No. of units	<b>1,600</b>	<b>1,400</b>	<b>2,200</b>
 <b>VILLAS</b> No. of units	<b>50</b>	<b>-</b>	<b>850</b>



Abu Dhabi

# Apartment Rental Rates

(All figures in AED 000's p.a.)

		STUDIO		1 BEDROOM		2 BEDROOMS		3 BEDROOMS		% CHANGE	
		From	To	From	To	From	To	From	To	Q1 2023 - Q2 2023	Q2 2022 - Q2 2023
<b>PRIME PROPERTIES</b>											
ABU DHABI ISLAND		60	65	65	110	100	155	155	215	1%	4%
INVESTMENT AREA*		60	95	95	180	120	240	180	360	3%	4%
<b>HIGH END PROPERTIES</b>											
ABU DHABI ISLAND	AL KHALIDIYA / AL BATEEN	55	70	65	90	75	140	105	195	1%	3%
	CENTRAL ABU DHABI	40	45	55	65	85	110	110	140	3%	3%
	CORNICHE	50	55	60	75	80	115	120	155	1%	1%
INVESTMENT AREA	AL RAHA BEACH	50	55	65	85	100	140	140	200	1%	3%
	MARINA SQUARE	40	45	55	75	75	110	110	160	4%	7%
	SAADIYAT BEACH RESIDENCES	-	-	70	80	115	140	155	165	1%	4%
	SHAMS ABU DHABI	45	50	50	75	80	120	110	160	1%	6%
	YAS ISLAND	47	55	65	75	105	120	155	180	0%	1%
<b>MID END PROPERTIES</b>											
ABU DHABI ISLAND		40	50	48	70	60	110	90	150	1%	2%
INVESTMENT AREA	AL RAHA BEACH	42	45	50	65	75	110	145	150	0%	3%
	NAJMAT & TAMOUH	35	45	45	58	70	95	90	135	2%	4%
	SAADIYAT ISLAND	40	45	55	62	80	90	110	130	0%	1%
	SHAMS ABU DHABI	40	45	50	60	65	100	100	125	4%	4%
	YAS ISLAND	40	42	48	55	75	85	115	125	2%	3%
OFF ISLAND	KHALIFA CITY & MBZ CITY	23	38	42	70	60	115	120	130	0%	0%
<b>LOW END PROPERTIES</b>											
ABU DHABI ISLAND	AL KHALIDIYA / AL BATEEN	25	35	35	45	50	65	65	80	0%	1%
	CENTRAL ABU DHABI	30	35	40	45	45	60	55	90	0%	1%
	CORNICHE	30	35	42	50	55	60	68	80	0%	0%
INVESTMENT AREA	AL REEF	32	38	45	52	58	68	80	90	1%	0%
OFF ISLAND	KHALIFA CITY & MBZ CITY	22	32	32	42	42	52	60	75	0%	0%



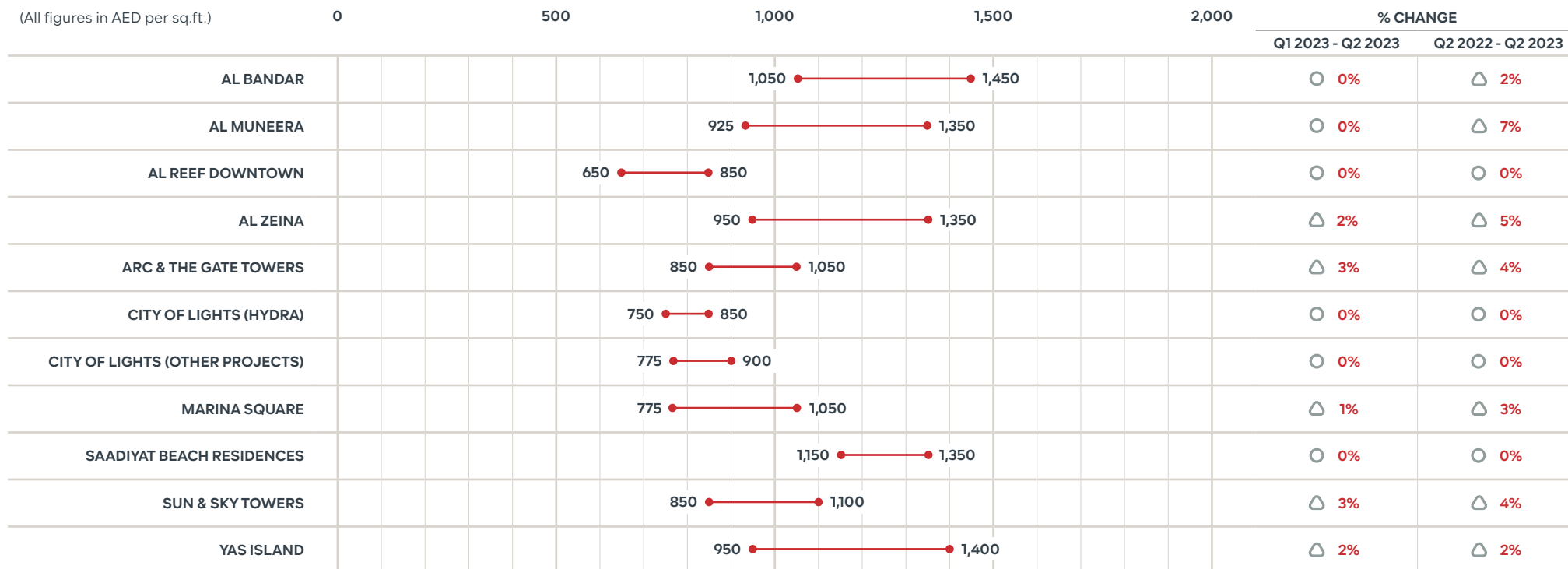
\* Includes Mamsha Al Saadiyat Development



Abu Dhabi

# Apartment Sales Prices

(All figures in AED per sq.ft.)

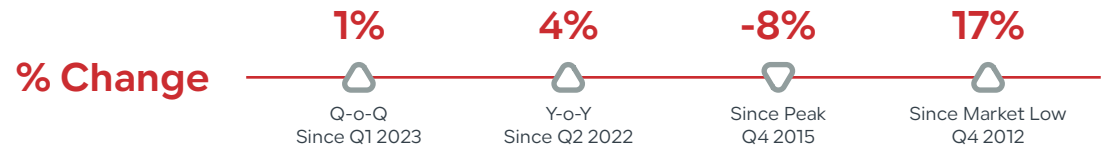




# Abu Dhabi Villa Rental Rates

(All figures in AED 000's p.a.)

		2 BEDROOMS		3 BEDROOMS		4 BEDROOMS		5 BEDROOMS		% CHANGE	
		From	To	From	To	From	To	From	To	Q1 2023 - Q2 2023	Q2 2022 - Q2 2023
ABU DHABI ISLAND	AL KHALIDIYA / AL BATEEN	-	-	150	160	155	200	180	240	2%	6%
	AL NAHYAN CAMP / AL MUROOR	-	-	140	160	155	170	160	175	2%	4%
	MUSHRIF / KARAMA / MANASEER	-	-	140	160	145	170	180	210	1%	5%
INVESTMENT AREA	AL RAHA BEACH	-	-	200	210	230	270	250	300	0%	9%
	AL REEF	75	80	95	105	130	140	145	155	1%	4%
	HIDD AL SAADIYAT	-	-	-	-	390	490	430	710	2%	10%
	HYDRA VILLAGE	50	60	60	65	-	-	-	-	1%	-1%
	LULUAT AL RAHA	-	-	-	-	295	300	350	360	0%	-
	SAADIYAT BEACH VILLAS	-	-	290	330	340	430	455	690	2%	4%
	WEST YAS	-	-	-	-	260	290	300	330	6%	11%
	YAS ACRES	175	195	220	240	250	300	330	400	1%	7%
OFF ISLAND	AL RAHA GARDENS	-	-	140	160	160	185	205	230	1%	5%
	GOLF GARDENS	-	-	200	210	225	245	270	350	1%	3%
	KHALIFA CITY	-	-	105	115	110	140	125	160	1%	3%
	MBZ CITY	-	-	105	115	110	130	120	155	2%	4%



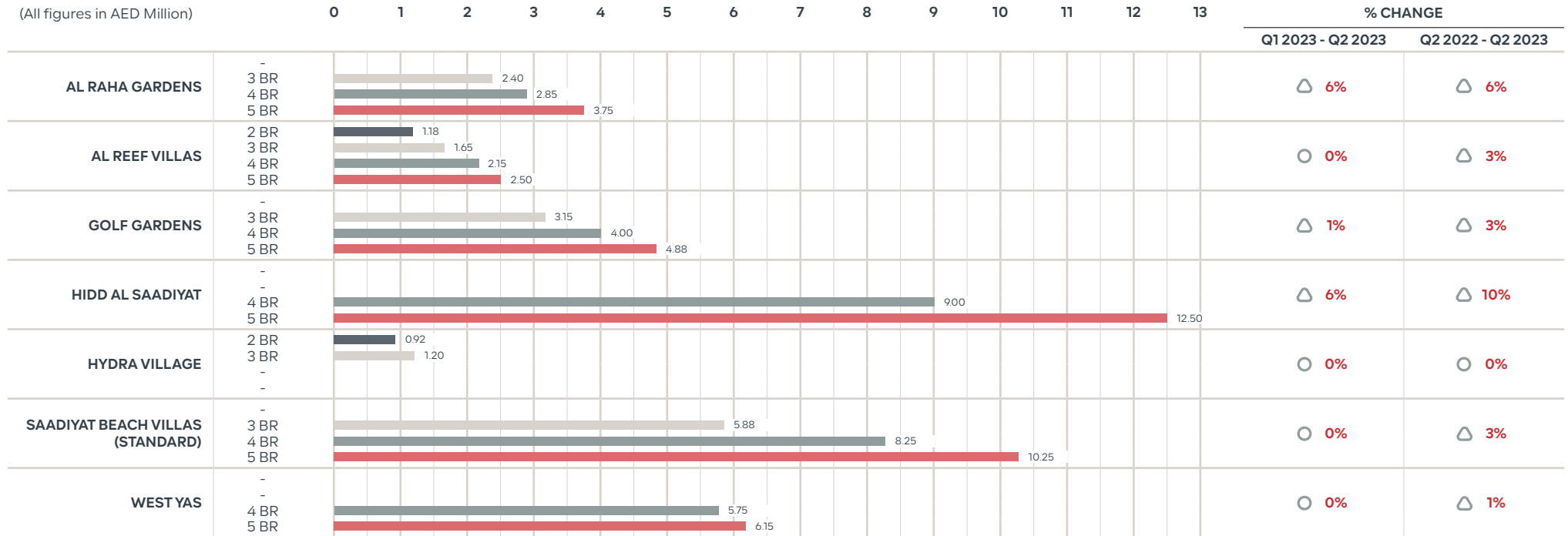




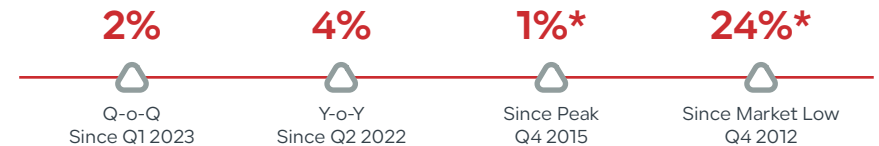
Abu Dhabi

# Villa Sales Prices

(All figures in AED Million)



## % Change



\* Includes Al Raha Gardens, Golf Gardens & Al Reef Villas only. Later averages are reflective of an increase in new developments of higher quality.



Abu Dhabi

# Office Rental Rates

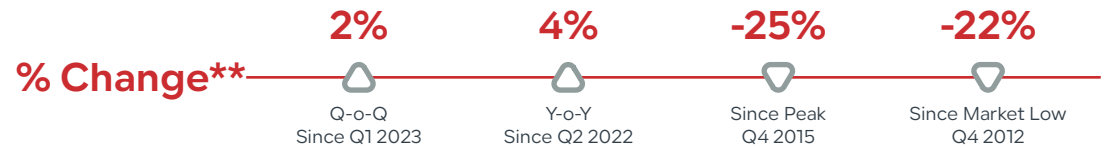
(All figures in AED per sq.m. p.a.)

	AVERAGE RENTAL RATES		% CHANGE	
	From	To	Q1 2023 - Q2 2023	Q2 2022 - Q2 2023
<b>PRIME STOCK</b>				
FITTED*	1,350	2,250	0%	4%
<b>QUALITY STOCK</b>				
FITTED	800	1,125	4%	6%
SHELL AND CORE	650	850	2%	6%
<b>OLDER STOCK</b>				
GOOD	557	725	3%	5%
TYPICAL BUILDING	525	650	3%	5%
LOW QUALITY BUILDING	400	450	0%	0%



\* Includes developments such as Al Maryah Island, Aldar HQ, International Tower, Nation Towers, Ittihad Towers, etc.

\*\* The average percentage change calculation excludes Prime Stock.



# Abu Dhabi

## Property Map

- 1 Al Bandar - Al Raha Beach
- 2 Al Bateen Wharf
- 3 Al Gurm
- 4 Al Maqtaa
- 5 Al Muneera - Al Raha Beach
- 6 Al Nahyan Camp
- 7 Al Raha Gardens
- 8 Al Rayyana
- 9 Al Reef
- 10 Al Zeina - Al Raha Beach
- 11 Baniyas
- 12 Al Bateen Airport Area
- 13 Al Bateen Area
- 14 Bawabat Al Sharq
- 15 Capital District (ADNEC)
- 16 Central Business District (CBD) / Tourist Club Area
- 17 Corniche
- 18 Danet Abu Dhabi
- 19 Eastern Mangroves
- 20 Golf Gardens
- 21 Hydra Village
- 22 Khalidiyah/ Al Hosn/ Al Manhal
- 23 Khalifa City A
- 24 Khalifa City B
- 25 Al Maryah Island
- 26 Mohamed Bin Zayed City (MBZ)
- 27 Al Mina
- 28 Al Mushrif/ Al Karamah/ Al Manaseer/ Al Muroor
- 29 Abu Dhabi Gate City
- 30 Rawdhat Abu Dhabi
- 31 Al Reem Island - Marina Square
- 32 Al Reem Island - Najmat Abu Dhabi
- 33 Al Reem Island - Rest of Shams Abu Dhabi
- 34 Al Reem Island - City of Lights
- 35 Al Reem Island - The Gate District
- 36 Saadiyat Beach District

- 37 Hills Abu Dhabi
- 38 West Yas
- 39 Yas Acres
- 40 Ansam
- 41 Al Raha Beach
- 42 Mamsha Al Saadiyat
- 43 Hidd Al Saadiyat
- 44 Masdar City
- 45 Al Jubail Island
- 46 Musaffah
- 47 Al Hudayriyat Island
- 48 Water's Edge





DUBAI



# Dubai Market Overview

## Supply\*

Dubai continues to record a flurry of new project launches. Project launches (by volume of units) are now reaching levels not seen since pre-Global Financial Crisis (GFC). This begs the question – is Dubai overextending itself?

In addition to countless tier two developer launches, Dubai's master developers have made a number of significant announcements. These include Emaar's 'The Oasis', a USD 20 billion, 100 million square foot development with plans to construct in excess of 7,000 residential units.; as well as Al Habtoor Tower, a landmark project which will form the world's largest residential tower (81 floors). Upon completion, the project will comprise a total built-up area (BUA) measuring 3.5 million sqft and accommodate over 1,700 apartments.

This builds on Aldar's announcement (made early in 2023) to develop 3 communities under a joint venture with Dubai Holding. The joint venture encompasses a land mass measuring 38.2 million sqft (3.55 million sqm). The greatly anticipated launch by Abu Dhabi's leading developer will mark their first master plan scale project in Dubai.

The potential revival of the Palm Jebel Ali master plan also continues to cause a stir. Whilst details remain scarce, any future development will ensure the orbit of Dubai continues to move south. This reorientation is further supported by the planned expansion of the Al Maktoum International Airport.

Whilst the delivery of these projects remains some way off, they nevertheless represent ambitious development goals, which will ensure Dubai continues to grow and transform at an exponential rate.

In the present, Asteco noted that almost 11,000 residential units were delivered over Q2 2023, with the majority of this stock (9,400 units) comprising apartments. Although villa supply slowed over the quarter, it is expected to pick-up again in the second half of the year. The pace of supply is forecasted to further increase thereafter with close to 20,000 completions planned for 2024/25. In fact, we understand that several developers are seeking to accelerate their construction programmes with the aim of bringing handovers forward by 3 - 6 months.

There were no significant office space handovers over the past three months. However, the pre-leased 495,000 square feet Uptown Tower in Jumeirah Lakes Towers (JLT) is expected for handover by year-end.

\* It is important to note that whilst a number of projects may have received completion certificates, Asteco does not consider a project delivered until the handover process has been initiated and the units are available for lease in the open market.

<sup>A</sup> The Dubai Government was expected to roll out a new rental index in 2023, with increases to be based on star ratings of each building, reflecting quality and amenities, rather than being subject to location and/or community trends. However, there has been no update at the time of writing the report.

## Rental Rates

Upward pressure continued unabated across all asset classes. However, the pace of increase has slowed within some communities and asset classes. This was particularly apparent within the villa segment. Albeit it is worth noting that this sector has been outpacing other market segments for some time now. Average apartment, villa and office rental rates increased by 6%, 3% and 6% over the quarter and 21%, 23% and 25% annually.

Despite continued demand from existing tenants and newcomers, the market is not immune to changes in the real estate dynamics, including at a micro level. For example, areas that recorded significant levels of new supply, such as Meydan (with the addition of Azizi Riviera), Arabian Ranches 3 and Al Furjan, registered nominal or no rental growth. Conversely, the low availability of units and limited tenant movement in popular communities such as Dubai Silicon Oasis (Cedre Villas), Al Waha/Layan Villas, Jumeirah Beach Residence (JBR) and The Greens/Views resulted in above-average increases. Unsurprisingly, rising rents, coupled with protection under the RERA rental calculator<sup>A</sup>, have resulted in limited movement of some tenants. Although some landlords have found a way around it by serving eviction notices stating self-use or sale as grounds for the eviction and then re-leasing the unit at the inflated rate (often more than 50%). Whilst such practises are technically prohibited, as the unit cannot be re-rented within the first 2 years, the burden of proof lies with the previous tenant who then has to file for claims with the Rental Dispute Settlement Centre (RDC).

Over the past year, the Dubai real estate market has continued to significantly outperform many of its global peers. This is despite the UAE facing the same global headwinds of rising interest rates and inflation. Whilst a certain amount of Dubai's success can be attributed to the UAE's strong economic fundamentals, some of this growth will certainly be sentiment driven.

Although rental rates continue to grow, there are signs that they may be reaching a ceiling. One such indicator is the difference between listings and contracted rates, as recorded by the Dubai Land Department (DLD). According to the data, apartment and villa units are often still renting at the lower end of the range, despite the fact that they are not advertised as such.

Office demand remains on a strong footing, particularly with respect to Grade A space. It is worth noting that not all companies are expanding their footprint with some recalibrating their real estate needs and downsizing. However, this appears to be outweighed by those either entering the market, or by existing companies looking to increase their footprint. Demand and options within the high-quality, hybrid, and co-working office space market also continued to grow.

There is much debate with regard to working remotely vs being in the office full-time, or adopting a hybrid version. Whilst many global corporates are curtailing remote working and imposing performance-linked mandatory number of days in the office, many smaller firms are happy to give their employees the freedom to choose.

Whilst the hybrid model remains a useful tool to attract talent, and offers reduced operational costs, the benefits may be outweighed by the perceived impact on productivity and employee engagement.

Dubai

# Market Overview [↗](#)

## Sales Prices

The Dubai market continued to set new records across beachfront locations including Palm Jumeirah, Jumeirah Bay Island, Bluewaters and Madinat Jumeirah Living, as well as 'desert destinations', such as Lanai Island (Tilal Al Ghaf).

However, putting large ticket sales aside, sales price growth appeared to be slowing with quarterly increases of 2% for apartments, 3% for villas and 4% for offices. Annual changes stood at 14%, 15% and 22%, respectively.

Asteco notes that increased local demand from tenants looking to become homeowners is expected to continue in the second half of 2023 and well into 2024.



# Dubai Supply

	Completed in Q1 2023	Completed in Q2 2023	Projected END OF 2023
 <b>APARTMENTS</b> No. of units	<b>7,600</b>	<b>9,400</b>	<b>12,900</b>
 <b>VILLAS</b> No. of units	<b>2,150</b>	<b>1,500</b>	<b>2,850</b>
 <b>OFFICES</b> Million sq.ft.	<b>-</b>	<b>-</b>	<b>0.5</b>



Dubai

# Apartment Rental Rates [↗](#)

(All figures in AED 000's p.a.)

	STUDIO		1 BEDROOM		2 BEDROOMS		3 BEDROOMS		% CHANGE	
	From	To	From	To	From	To	From	To	Q1 2023 - Q2 2023	Q2 2022 - Q2 2023
<b>HIGH TO LUXURY END</b>										
DIFC	65	100	85	145	110	210	170	300	4%	23%
DOWNTOWN DUBAI	55	95	75	160	110	240	160	400	5%	25%
PALM JUMEIRAH	70	120	110	220	150	300	190	400	5%	30%
SHEIKH ZAYED ROAD	60	70	75	130	80	200	100	220	3%	23%
<b>MID TO HIGH END</b>										
BUSINESS BAY	45	90	60	120	90	180	130	240	4%	21%
DUBAI MARINA	48	100	65	145	90	210	120	300	5%	26%
THE GREENS & THE VIEWS	50	70	65	125	100	160	130	210	5%	22%
JUMEIRAH BEACH RESIDENCE	70	100	90	160	120	180	150	230	5%	25%
JUMEIRAH LAKES TOWERS	40	65	50	100	70	150	110	180	4%	21%
<b>AFFORDABLE</b>										
DEIRA	20	40	37.5	60	50	90	80	110	3%	15%
DISCOVERY GARDENS	30	45	45	65	70	80	0	0	5%	24%
DUBAI SPORTS CITY	25	45	42.5	65	55	90	75	100	4%	23%
INTERNATIONAL CITY	20	35	30	50	40	65	60	100	6%	21%
JUMEIRAH VILLAGE	28	65	35	90	55	125	95	145	5%	19%



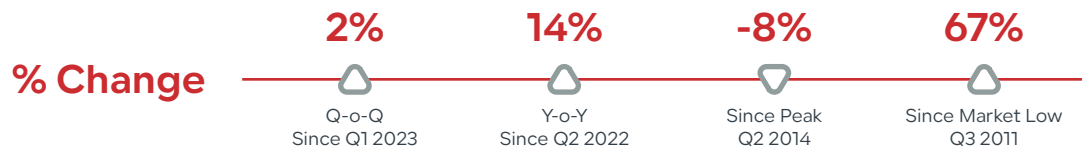
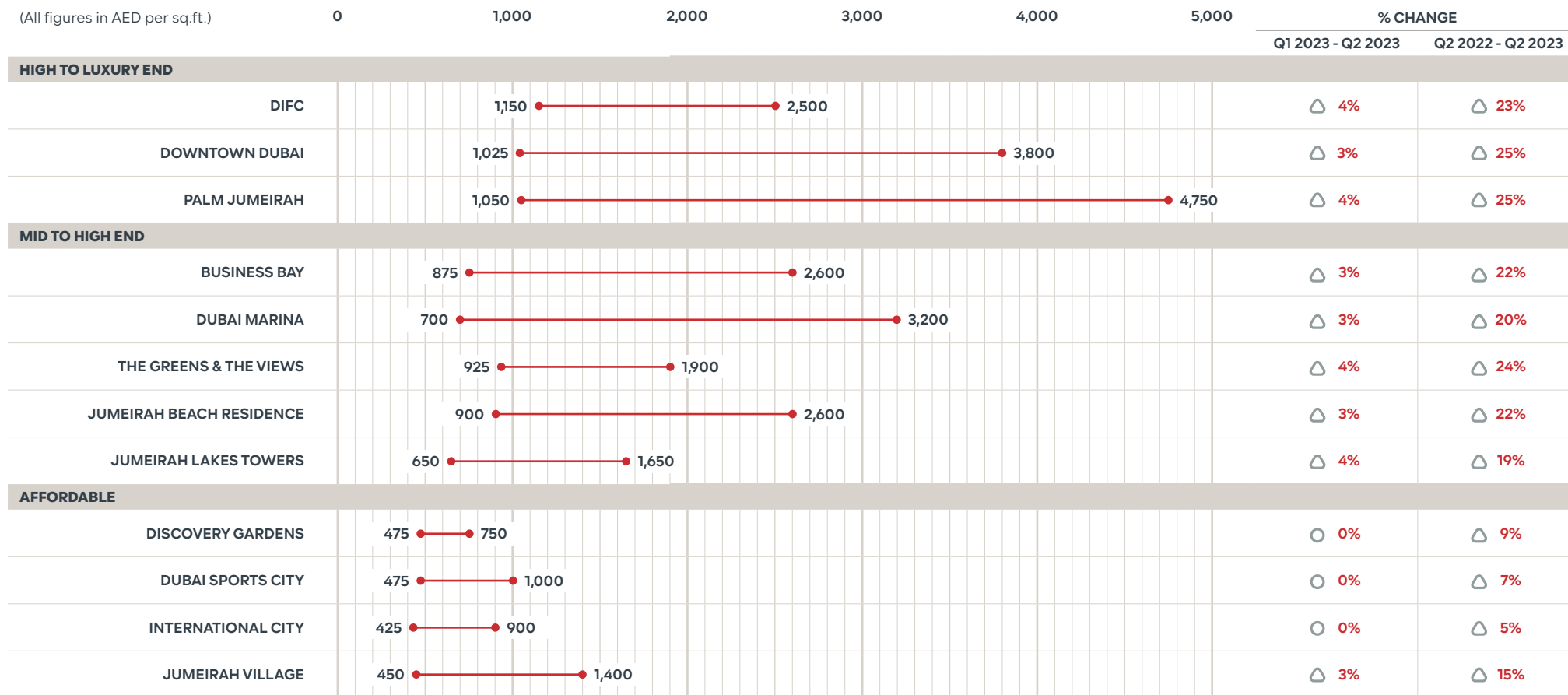




Dubai

# Apartment Sales Prices

(All figures in AED per sq.ft.)





# Dubai Villa Rental Rates

(All figures in AED 000's p.a.)

	2 BEDROOMS		3 BEDROOMS		4 BEDROOMS		5 BEDROOMS		% CHANGE	
	From	To	From	To	From	To	From	To	Q1 2023 - Q2 2023	Q2 2022 - Q2 2023
ARABIAN RANCHES	140	200	170	330	235	400	340	500	3%	21%
DAMAC HILLS 2 (AKOYA OXYGEN)	65	80	55	100	65	120	100	130	0%	6%
DUBAI HILLS ESTATE	-	-	200	380	230	430	275	525	1%	23%
JUMEIRAH / UMM SUQEIM	-	-	150	300	175	400	200	500	4%	24%
JUMEIRAH PARK	-	-	250	350	275	425	350	525	4%	23%
JUMEIRAH VILLAGE	120	200	130	190	140	220	160	260	3%	25%
THE MEADOWS	-	-	270	360	325	425	350	650	5%	28%
MIRDIF	55	95	80	160	100	180	120	200	2%	13%
PALM JUMEIRAH	-	-	360	700	475	850	650	1,100	6%	31%
THE SPRINGS	100	180	180	260	-	-	-	-	3%	25%
THE LAKES	-	-	240	360	260	450	350	550	5%	21%
TOWN SQUARE	-	-	120	160	150	180	-	-	3%	22%





# Dubai Villa Sales Prices [↗](#)

(All figures in AED per sq.ft.)

	0 1,000 2,000 3,000 4,000 5,000 6,000 7,000								% CHANGE	
									Q1 2023 - Q2 2023	Q2 2022 - Q2 2023
ARABIAN RANCHES	1,150 — 2,300								△ 5%	△ 16%
DAMAC HILLS 2 (AKOYA OXYGEN)	525 — 1,000								△ 3%	△ 11%
DUBAI HILLS ESTATE	1,400 — 3,500								△ 5%	△ 25%
JUMEIRAH PARK	1,250 — 2,000								△ 5%	△ 21%
JUMEIRAH VILLAGE	425 — 1,300								△ 3%	△ 17%
THE MEADOWS	1,475 — 2,050								△ 6%	△ 26%
PALM JUMEIRAH	2,250 — 6,900								△ 2%	△ 20%
THE SPRINGS	1,150 — 1,850								△ 3%	△ 20%



## % Change





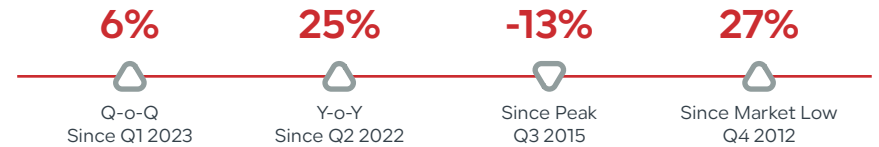
# Dubai Office Rental Rates

(All figures in AED per sq.ft. p.a.)

	AVERAGE RENTAL RATES		% CHANGE	
	From	To	Q1 2023 - Q2 2023	Q2 2022 - Q2 2023
BARSHA HEIGHTS (TECOM)	60	100	4%	29%
BUR DUBAI	60	90	4%	17%
BUSINESS BAY	60	120	7%	30%
DIFC	120	350	5%	30%
JUMEIRAH LAKES TOWERS	60	100	8%	33%
SHEIKH ZAYED ROAD	80	220	8%	31%



## % Change

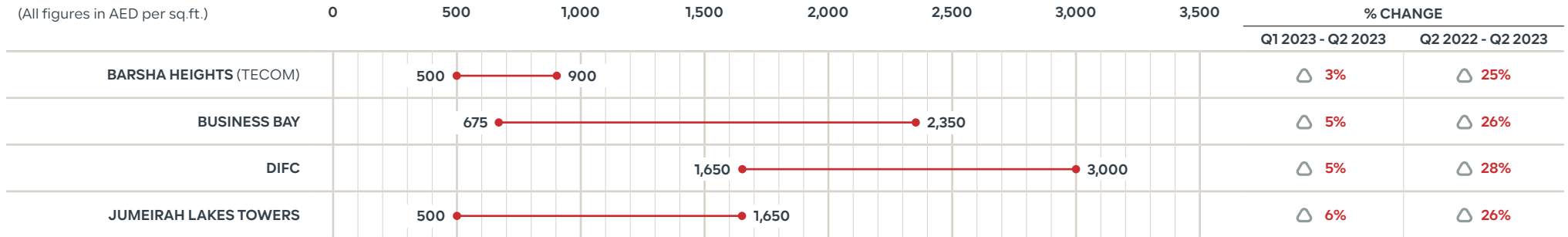




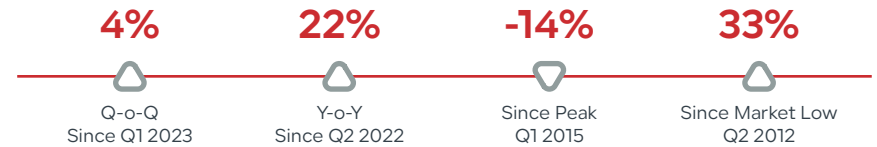
Dubai

# Office Sales Prices

(All figures in AED per sq.ft.)

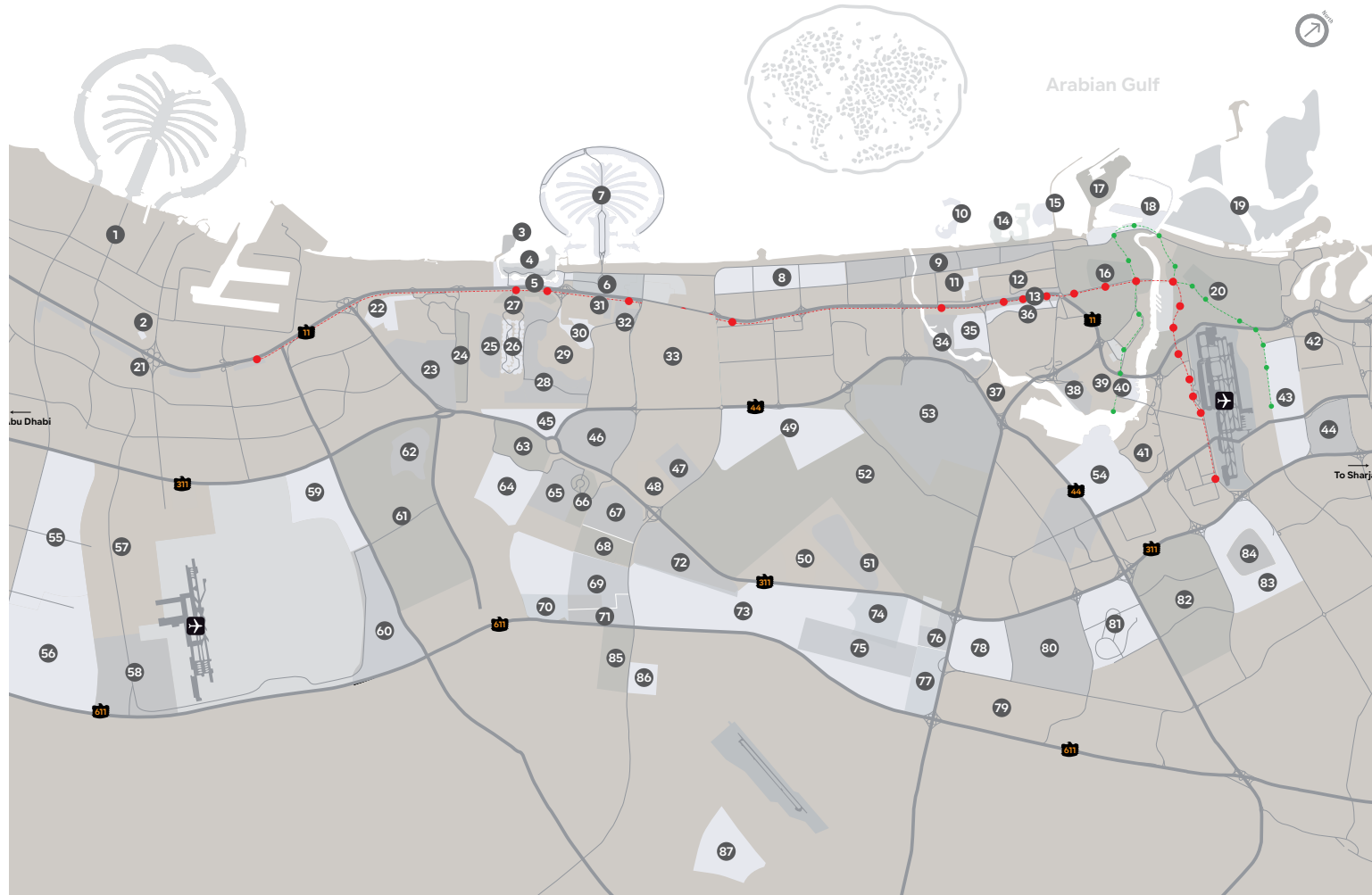


**% Change**



Dubai

# Property Map



- |  |  |
|--|--|
| 1 Veneto   | 45 Jumeirah Village Triangle           |
| 2 Badrah   | 46 Jumeirah Village Circle             |
| 3 Bluewater Island   | 47 Dubai Science Park                  |
| 4 Jumeirah Beach Residence                                     | 48 Arjan                               |
| 5 Dubai Marina   | 49 Dubai Hills Estate                  |
| 6 Dubai Internet City, Dubai Media City & Dubai Knowledge Park | 50 Living Legends                      |
| 7 Palm Jumeirah  | 51 Al Barari                           |
| 8 Umm Suqeim   | 52 Mohammed Bin Rashid City (MBR City) |
| 9 Jumeirah   | 53 Meydan                              |
| 10 Jumeirah Bay  | 54 Dubai Creek Harbour                 |
| 11 City Walk   | 55 Commercial District                 |
| 12 Al Satwa  | 56 Golf District                       |
| 13 Sheikh Zayed Road   | 57 Logistics District                  |
| 14 La Mer  | 58 Aviation District                   |
| 15 Pearl Jumeirah  | 59 Expo 2020                           |
| 16 Bur Dubai   | 60 Residential District                |
| 17 Dubai Maritime City   | 61 Dubai Investment Park               |
| 18 Port Rashid   | 62 Green Community                     |
| 19 Dubai Islands   | 63 Dubai Production City (IMPZ)        |
| 20 Deira   | 64 Jumeirah Golf Estates               |
| 21 Downtown Jebel Ali  | 65 Victory Heights                     |
| 22 Wasl Gate   | 66 Dubai Sports City                   |
| 23 Al Furjan   | 67 Motor City                          |
| 24 Discovery Gardens   | 68 Dubai Studio City                   |
| 25 Jumeirah Park   | 69 Damac Hills                         |
| 26 Jumeirah Islands  | 70 Remraam                             |
| 27 Jumeirah Lakes Towers                                       | 71 Mudon                               |
| 28 The Springs / The Meadows                                   | 72 Arabian Ranches                     |
| 29 Emirates Hills  | 73 Dubailand                           |
| 30 The Lakes   | 74 Falcon City of Wonders              |
| 31 The Greens  | 75 The Villa                           |
| 32 Barsha Heights (Tecom)                                      | 76 Liwan                               |
| 33 Al Barsha   | 77 DubaiLand Residence Complex         |
| 34 Business Bay  | 78 Dubai Silicon Oasis                 |
| 35 Downtown Dubai  | 79 Dubai Academic City                 |
| 36 DIFC  | 80 International City Phase 2 & 3      |
| 37 Dubai Design District                                       | 81 International City                  |
| 38 Dubai Healthcare City - Phase 2                             | 82 Al Warqaa                           |
| 39 Al Jaddaf   | 83 Mirdif                              |
| 40 Jaddaf Waterfront (Culture Village)                         | 84 Uptown Mirdif                       |
| 41 Dubai Festival City   | 85 Town Square                         |
| 42 Al Nahda  | 86 Mira                                |
| 43 Al Qusais   | 87 Damac Hills 2                       |
| 44 Muhaisnah   |  |

**NORTHERN  
EMIRATES**



# Northern Emirates Market Overview

The Northern Emirates real estate market continued to benefit from a spillover of Dubai tenants priced out of the Emirate amidst a climate of rising rents. Flexibility at work, employment/business growth and the expansion of the infrastructure has also helped to boost demand.

As such, apartment rental rates across the Northern Emirates registered steady gains of 1% for typical units and 2% for high-end properties in Q2 2023. Average annual changes stood at 5%. High-end properties continued to outperform 'typical' stock as a result of buoyed market sentiment and new additions in that sector.

Sharjah office rental rates also continued to grow with an average quarterly increase of 2%, and 9% compared to the same period last year.

Sharjah sales prices remained relatively unchanged over the last three months, although a select number of transactions were recorded at the above benchmarked rates. We expect to see a similar pattern over the next quarter.

Following Sharjah's lead with their launch of the 'Sharjah Holiday Homes Project' in 2022, Ajman is the latest Emirate to allow short-term rentals. This has opened the market to a whole new category of tenants, as well as increasing the Emirates hospitality offerings.

In addition, the Ajman Department of Economic Development (DED) issued 1,483 new licenses during Q1 2023, a 13% increase compared to Q1 2022. This is likely to provide a boost for real estate demand for the Emirate.

Similar to Dubai, although proportionate in volume, there have been a slew of new project launches, construction milestones and handovers in the Northern Emirates.

Sharjah Sustainable City, developed by Sharjah Investment and Development Authority (Shurooq) and Diamond Developers, announced the launch of its fourth and final phase comprising 324 villas. Located in Al Rahmaniya, the project spans a land area covering 7.2 million sqft and will accommodate a total of 1,250 sustainable villas. The handover process for the first phase commenced in September 2022.

Ras Al Khaimah (RAK) has been the most active of the Northern Emirates, by some margin, particularly the master developer RAK Properties.

In May 2023, they launched Bayviews Residences, a beachfront development comprising studios, 1 BR and 2 BR apartments located on Hayat Island, Mina Al Arab. RAK Properties also announced an update on Bay Residences, which is now in the second phase of development, following the completion of piling works. The project is situated on Hayat Island, and will comprise 324 apartments distributed across four towers, ranging from studios to 3 BR apartments.

In June 2023, RAK Properties and Dubai-based Ellington Properties entered into an agreement to collaborate on a residential beachfront development on Hayat Island. (No further details had been published at the time of the report.)

Al Hamra awarded the main works package for the construction of 502 villas and townhouses on Falcon Island (located within Al Hamra Village) ranging from 2 BR to 7 BR units.

UAE-based Luxe Developers broke ground on Oceano, a twin-tower waterfront development located on Al Marjan Island comprising 206 apartments over 18 floors.

Ras Al Khaimah Economic Zone (RAKEZ) recorded a strong start to the year welcoming 1,839 new companies in Q1 2023, a 122% increase compared to the same period in 2022, bringing the total to over 18,000 companies from 100 countries, across more than 50 industries.

RAK has ambitious development plans, not least the venture into the world of Casinos and Gaming, which will not only help position itself as an alternative lifestyle destination to Dubai but set it apart from the more prominent Emirate.







Northern Emirates

# Apartment Rental Rates

(All figures in AED 000's p.a.)

		STUDIO		1 BEDROOM		2 BEDROOMS		3 BEDROOMS		% CHANGE	
		From	To	From	To	From	To	From	To	Q1 2023 - Q2 2023	Q2 2022 - Q2 2023
SHARJAH	TYPICAL	9	15	13	20	16	24	25	34	1%	1%
	HIGH END	15	23	20	35	25	50	35	70	2%	4%
AJMAN	TYPICAL	10	15	12.5	15	14	20	21	30	1%	1%
	HIGH END	15	18	16	26	22	36	34	50	2%	6%
UMM AL QUWAIN		10	16	15	20	20	30	30	40	1%	6%
RAS AL KHAIMAH	TYPICAL	12	16	16	24	18	30	35	45	1%	5%
	HIGH END	17	30	25	45	36	60	60	90	2%	9%
FUJAIRAH	TYPICAL	15	18	20	25	24	34	32	45	1%	5%
	HIGH END	20	25	30	38	35	55	55	70	2%	8%





Sharjah

# Apartment Rental Rates ↗

(All figures in AED 000's p.a.)

	STUDIO		1 BEDROOM		2 BEDROOMS		3 BEDROOMS		% CHANGE	
	From	To	From	To	From	To	From	To	Q1 2023 - Q2 2023	Q2 2022 - Q2 2023
AL MAJAZ	15	18	18	30	20	45	30	65	0%	1%
AL QASIMIA	10	16	15	25	18	35	30	45	0%	1%
AL NAHDA	15	23	18	35	19	47	37.5	65	0%	3%
AL KHAN / AL MAMZAR	16	20	18	35	25	50	35	70	0%	2%
ABU SHAGARA	12	17	14	25	18	34	30	42	0%	1%
AL BUTINA	9	12	13	20	16	25	25	35	0%	2%
AL YARMOOK	10	13	13.5	17	17	20	27	40	0%	0%
ROLLA	10	14	14	20	18	26	27	34	0%	2%

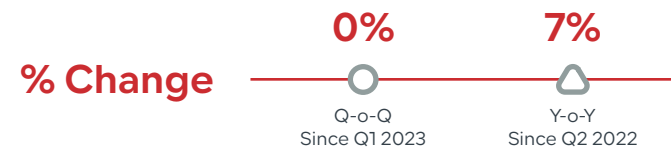
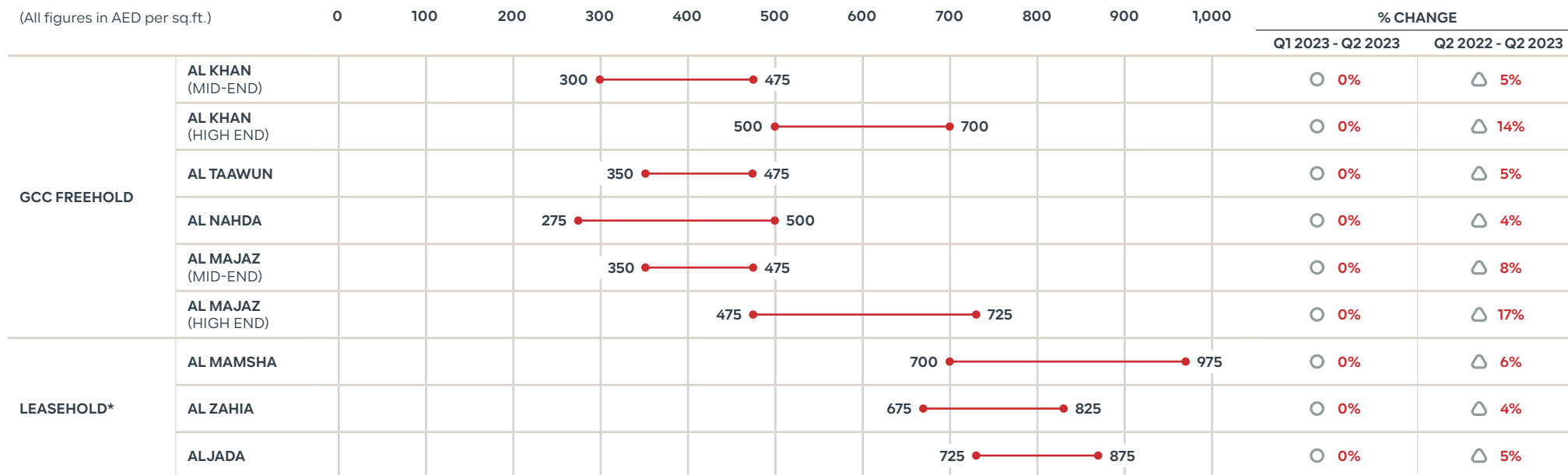




Sharjah

# Apartment Sales Prices

(All figures in AED per sq.ft.)



\* Leasehold ownership (up to 100 years) for all nationalities.



Sharjah

# Office Rental Rates

(All figures in AED per sq.ft. p.a.)

	AVERAGE RENTAL RATES		% CHANGE	
	From	To	Q1 2023 - Q2 2023	Q2 2022 - Q2 2023
AL TAAWUN ROAD	25	35	2%	6%
CORNICHE AREA	30	50	1%	12%
AL WAHDA	25	35	2%	9%
AL QASIMIA	20	35	2%	10%
CLOCK R/A	25	35	2%	11%
AL YARMOOK	25	35	2%	8%
INDUSTRIAL AREA	20	35	2%	8%



# Northern Emirates

# Property Map



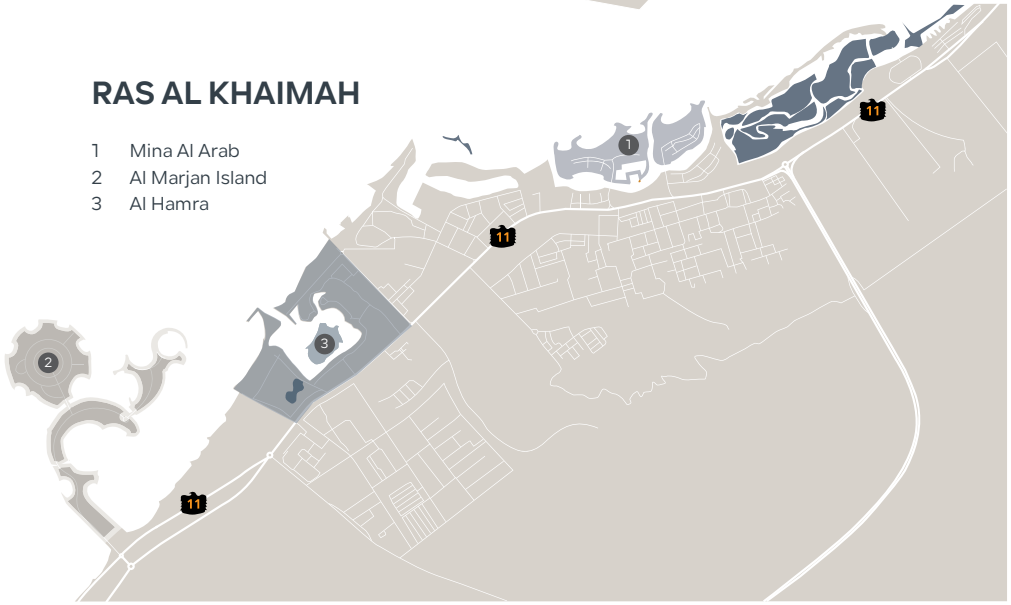
UNITED ARAB EMIRATES

ABU DHABI

UMM AL QUWAIN  
AJMAN  
SHARJAH  
RAS AL KHAIMAH  
FUJAIRAH  
DUBAI

## RAS AL KHAIMAH

- 1 Mina Al Arab
- 2 Al Marjan Island
- 3 Al Hamra



## SHARJAH

- 1 Abu Shagara
- 2 Al Khan
- 3 Al Majaz
- 4 Al Nahda
- 5 Al Qasimia
- 6 Al Taawun
- 7 Al Wahda
- 8 Corniche/Buhaira
- 9 Al Khalidiya
- 10 King Faisal and King Abdul Aziz Street



ALAIN 



Al Ain

# Market Overview [↗](#)

The Al Ain real estate market remained broadly unchanged, with demand recorded across all asset classes.

The residential market continued to be dominated by internal migration, with existing residents driving demand. As a result, overall apartment and villa rental rates remained relatively stable. However, the market is price sensitive. Proactive landlords with older apartment stock have accepted modest rental discounts to maintain occupancy levels amidst increased tenant options.

During Q2 2023, a limited number of residential buildings were handed over in Town Center. Further completions within the area are anticipated before the end of 2023, albeit on a small scale.

The Food and Beverages (F&B) sector drove a rise in interest for retail units, although Asteco expects that this increased demand will take time to translate into upward pressure on rental rates.





Al Ain

# Apartment Rental Rates [↗](#)

(All figures in AED 000's p.a.)

	1 BEDROOM		2 BEDROOMS		3 BEDROOMS		% CHANGE	
	From	To	From	To	From	To	Q1 2023 - Q2 2023	Q2 2022 - Q2 2023
MATURE BUILDINGS	21	26	31	35	43	48	0%	0%
NEW BUILDINGS	26	29	34	37	52	62	0%	0%
PRIME COMPOUNDS	30	35	42	48	60	80	0%	0%



Al Ain

# Villa Rental Rates [↗](#)

(All figures in AED 000's p.a.)

		3 BEDROOMS		4 BEDROOMS		5 BEDROOMS		% CHANGE	
		From	To	From	To	From	To	Q1 2023 - Q2 2023	Q2 2022 - Q2 2023
MATURE VILLAS	AL JIMI, TOWN CENTRE, ZAKER, OTHER*	42	46	65	70	82	91	0%	-1%
	AL TOWAYA	60	68	85	90	90	95	0%	0%
	PRIME COMPOUNDS	75	80	93	100	115	120	0%	0%
RECENT BUILD	AL JIMI, TOWN CENTRE, ZAKER, OTHER*	55	62	70	78	95	105	0%	-1%
	AL TOWAYA	70	75	85	90	105	110	0%	0%
	PRIME COMPOUNDS	85	90	105	110	130	135	0%	0%



\* Includes Al Khabisi, Al Muwajji, Al Manasir and Al Masoudi areas.





Al Ain

# Office Rental Rates

(All figures in AED per sq.m. p.a.)

0 100 200 300 400 500 600 700 800 900 1,000

% CHANGE

Q1 2023 - Q2 2023 Q2 2022 - Q2 2023

Street	Q1 2023	Q2 2023	Q1 2023 - Q2 2023	Q2 2022 - Q2 2023
AUD AL TOUBA STREET	550	840	0%	0%
KHALIFA STREET	550	840	0%	0%
MAIN STREET	550	840	0%	0%
SENAYA STREET	340	530	0%	0%



Al Ain

# Retail Rental Rates

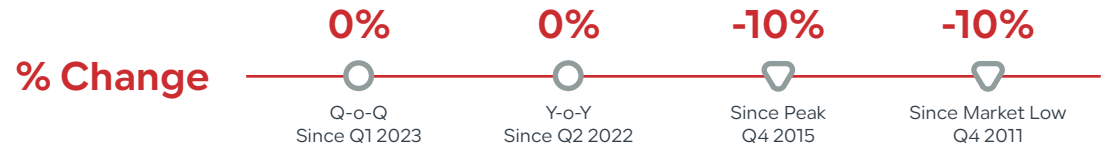
(All figures in AED per sq.m. p.a.)

0 500 1,000 1,500 2,000 2,500 3,000 3,500

% CHANGE

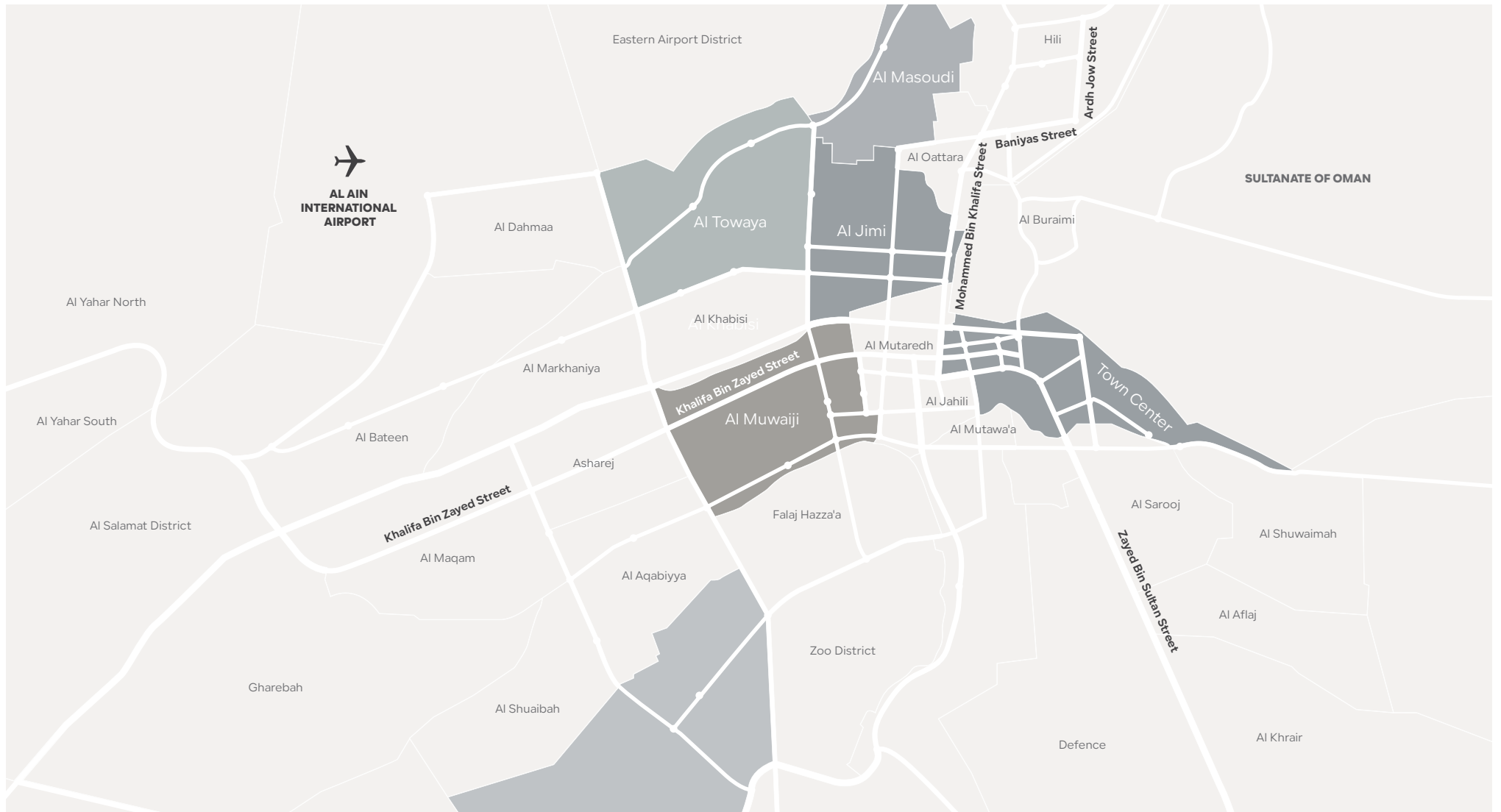
Q1 2023 - Q2 2023 Q2 2022 - Q2 2023

Street	Q1 2023	Q2 2023	Q1 2023 - Q2 2023	Q2 2022 - Q2 2023
KHALIFA STREET	900	2,100	0%	0%
MAIN STREET	900	2,100	0%	0%
MAJOR MALLS	1,350	2,800	0%	0%
SENAYA STREET	630	1,450	0%	0%



Al Ain

# Property Map



## ECONOMIC OVERVIEW

At the half year mark, the non-oil sectors of the UAE and the rest of the GCC have proved to be relatively resilient to both a weaker non-oil backdrop and higher interest rates. The UAE PMI has averaged 55.9 in the first half of the year, higher than the average over the same period last year, despite weakness in external order growth. Business activity has been supported by domestic demand so far in 2023.

Data points to robust consumer demand through the first quarter, as card spending (both credit and debit) grew at a solid pace. In our view aggregate demand is supported by continued population growth in the UAE, which has likely also been a driver of higher housing costs. The tourism sector has continued to rebound from the pandemic disruption and overall visitor numbers were only fractionally below pre-pandemic levels in the year to April. We expect full year visitor numbers to exceed 2019 levels, which will also underpin growth in the transport and services sectors this year. We have thus revised up our forecast for non-oil GDP growth in the UAE to 5.0% this year, from 3.5% previously.

However, the weaker global growth backdrop has had an impact on the oil & gas sectors of the region's economies. OPEC+ has extended its production cuts through the end of 2024, we now expect the UAE's hydrocarbons GDP to contract by -2.5% this year, down from a forecast expansion at the start of 2023. Overall, we now expect headline GDP to grow 2.9% in 2023, slightly lower than our previous 3.2% forecast.

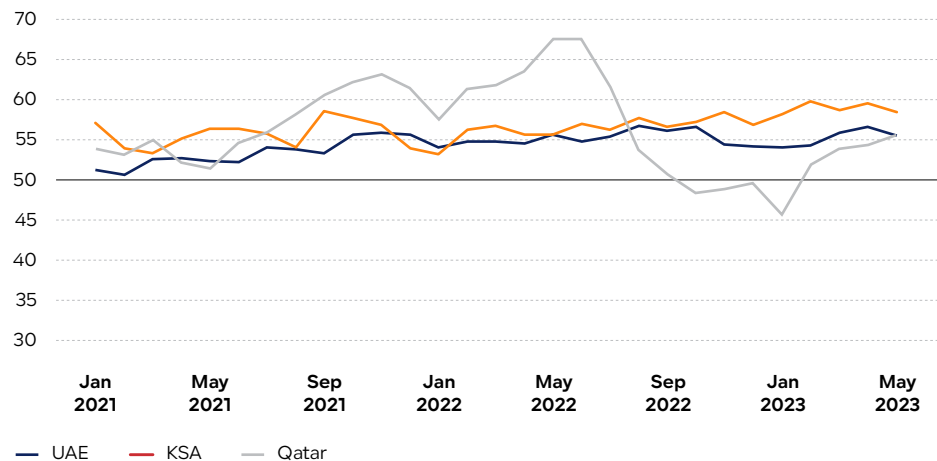
Inflation in Dubai has slowed from last year's peak of 7.1% (July 2022), as the surge in energy and food costs has started to unwind and is now in the base. Dubai's inflation fell to 3.0% y/y in May from 4.6% y/y in January and we expect inflation in the emirate to average 3.5% in 2023, down from 4.7% in 2022.

Surprisingly, inflation in the household durables category has accelerated sharply this year. This category includes furniture, appliances and home maintenance services. Rapid price growth in this segment supports our view that new household formation has been a key driver of private sector consumption growth over the last year. Housing costs in the CPI have also accelerated to 5.7% y/y in May, and are likely to rise further as the increase in market prices

feeds through to the official index. However, this has been offset by the decline in transport costs, which reflects easing supply chains and also lower petrol prices at the pump relative to last summer.

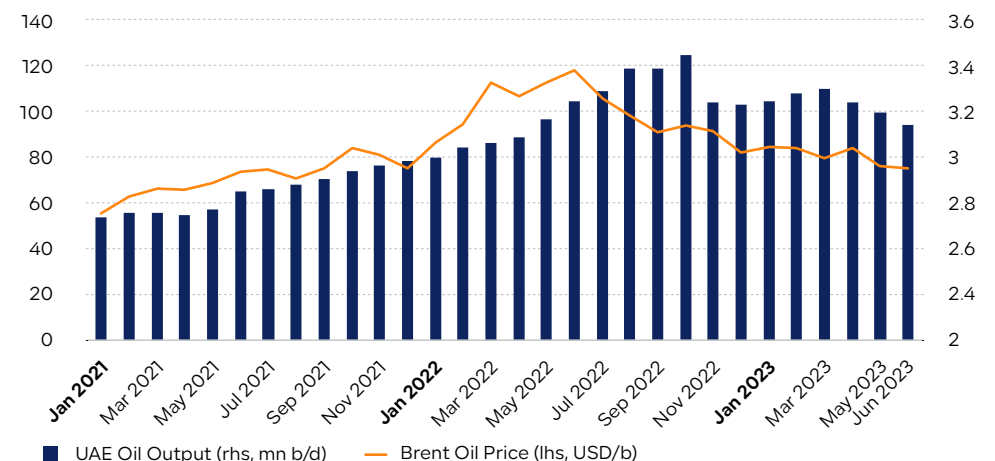
Lower than expected crude oil prices year-to-date – while helpful in easing inflationary pressures – is less positive for the budget. We have revised down our forecast for the UAE's budget surplus to 4.9% of GDP from 5.6% previously as we now expect Brent oil to average around USD 82/b this year. However, the growth in non-oil sector activity will likely contribute to additional tax and fee income in the budget. We have not assumed any income from the UAE's new corporate tax, as revenue from the new tax are unlikely to be received before 2025.

## Regional PMIs Indicate Solid Growth in Non-oil Sectors in H1 2023



Source: S&P Global, Emirates NBD Research

## UAE Oil Production Has Declined Since Q4 2022



Source: Bloomberg, Emirates NBD Research

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# Real Estate Investments: Tax or no tax?

The real estate market in the UAE has recently undergone a significant boom, with the volume of transactions and sale prices in Dubai breaking previous records.

In parallel, and pursuant to Federal Decree-Law No. 47 of 2022, the UAE has recently introduced a corporate tax regime which became effective to taxable persons in respect of financial years beginning on or after 1 June 2023 (the "**Corporate Tax Law**").

The tax system has been designed to be investor and business-friendly with generous allowances, exemptions, and reliefs, and one of the lowest and most competitive tax rates in the world. It is essentially a 'tax-lite' regime that is aligned with international best standards and aims to diversify the revenues of the rapidly maturing UAE economy, while ensuring that the UAE remains an attractive global financial centre and investment hub.

The impact that the Corporate Tax Law has on a reinvigorated UAE real estate market remains to be seen. Nevertheless, going forward, it will be important to assess the corporate tax implications. This article provides an overview of the new corporate tax regime and considers the impact on real estate investments.

## APPLICATION OF CORPORATE TAX

Corporate tax does not only apply to corporate entities. Individuals that carry on business activities in the UAE may also be subject to corporate tax.

Under the Corporate Tax Law, entities incorporated in the UAE and branches and other permanent establishments in the UAE of foreign entities are subject to corporate tax at the rate of 9% on taxable income exceeding AED 375,000. Taxable income below this threshold is taxable at the rate of 0%.

There are various exemptions and reliefs available depending on the type of entity or activities including a conditional 0% rate applicable to qualifying free zone entities.

While UAE-resident entities are generally taxable on the income generated from real estate assets including rental income and capital gains realised on sales of such assets (with foreign entities

also being taxable on income generated from UAE real estate), there are various alternative structures for real estate investments which have been considered below.

## INVESTMENTS BY INDIVIDUALS

As noted above, individuals are subject to tax to the extent that they carry on a business in the UAE. "Business" is broadly defined under the Corporate Tax Law and generally covers any activity conducted regularly, and on an ongoing and independent basis. Whether an individual is deemed to be carrying on a business is a matter that needs to be considered on a case-by-case basis and with reference to the level and exact nature of the activity carried out by the individual. Notwithstanding this, any real estate investment income earned by an individual, as defined in a recently issued Cabinet Decision, is not taxable.

Therefore, in cases where significant real estate operations are conducted by an individual, it is necessary to determine whether the individual is carrying on a business or earning real estate investment income in order to ascertain the tax consequences.

## INVESTMENTS THROUGH FAMILY FOUNDATIONS AND SOLE ESTABLISHMENTS

Another common structure is to hold real estate investments through family foundations. Family foundations may apply to the Federal Tax Authority ("**FTA**") to be treated as transparent for tax purposes, meaning that corporate tax would be assessed by reference to the founder or the beneficiaries of the foundation rather than the foundation itself.

Therefore, if the beneficiary is an individual and is deemed to not be carrying on a business activity, or is otherwise not taxable on the income generated from the real estate assets as it constitutes "real estate investment income," a family foundation structure may result in a significant tax advantage for families looking to hold and invest in real estate.

In the case of sole establishments, the tax position is somewhat more complex. Sole establishments are treated as transparent for tax purposes, and therefore the tax would be assessed by reference to their individual owner. The tax treatment may depend on whether the income generated from a real estate asset qualifies as real estate investment income or whether it is considered income that is generated from the licensed activity of the sole establishment.

## ANTI-AVOIDANCE RULE

When structuring real estate investments, it is also important to consider the anti-abuse provisions contained in the Corporate Tax Law. The Corporate Tax Law includes a general anti-abuse provision ("**GAAR**") which essentially allows the FTA to disregard any transaction or arrangement that is not entered into for a valid commercial or other non-fiscal reason that reflects economic reality and where the main purpose of the transaction or one of the main purposes is to obtain a tax advantage.

The application of the GAAR will not be straightforward in practice. Inevitably the tax consequences may vary for different structures and the choice of a structure with more favourable tax treatment may potentially trigger the GAAR. While the aim of the GAAR is to counteract artificial structures which have no other purpose other than to obtain a tax advantage and it is not intended to apply to transactions undertaken for bona fide commercial purposes, going forward, it is necessary to consider the application of this rule to any real estate structuring and obtain professional legal advice on the proposed arrangement.

## CONCLUSION

To conclude, while there is a range of structuring options for real estate investors, corporate tax implications are now a significant factor and must be taken into account when making, structuring and managing real estate investments. Care should also be taken in assessing the application of the GAAR as there may be a fine line between tax planning and an abuse of the tax rules.

# About Asteco



Asteco is a major regional and international award-winning full-service real estate services company that was formed in 1985 and has gained enormous respect for consistently delivering high quality, professional, value-added real estate services in a transparent manner. The company is also widely recognised for its involvement with many of the projects that have defined the landscape and physical infrastructure of the United Arab Emirates.

The world-class company has a distinguished and important combination of local knowledge and international expertise and has been renowned for its application of the latest technological tools and innovations, its commitment to transparency, winning strategies, and human expertise.

Undisputed Real Estate experts with a regional presence to serve its customers, Asteco proudly represents a significant number of the region's top property Owners, Developers, and Investors.

Asteco offers a wide range of services and solutions to its clients from Valuation Advisory and Building Consultancy, Property Management, Sales & Leasing as well as Franchising services. The company applies innovative solutions and cutting-edge technology to add tangible value for its Clients at every stage of the property lifecycle and to continuously elevate customer experiences.

## VALUATION & ADVISORY

Our professional advisory services are conducted by suitably qualified personnel all of whom have had extensive Real Estate experience within the Middle East and internationally.

Our valuations are carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) and International Valuation Standards (IVS) and are undertaken by appropriately qualified valuers with extensive local experience.

The Professional Services Asteco conducts throughout the region include:

- Consultancy & advisory services
- Market research
- Valuation services

## SALES

Asteco has a large property Sales division with multi-lingual representatives based all over the UAE. Our Sales teams have extensive experience in the negotiation and sale of a variety of assets.

## LEASING

Asteco has been instrumental in the Leasing of many high-profile developments across the GCC.

## PROPERTY MANAGEMENT

Asteco provides comprehensive Property Management services to all property Owners, whether a single unit (IPM) or a regional mixed-use portfolio. Our focus is on maximising value for our Clients.

## BUILDING CONSULTANCY

The Building Consultancy Team at Asteco have a wealth of experience supporting their Clients throughout all stages of the built asset lifecycle. Each of the team's highly trained surveyors have an in-depth knowledge of construction technology, building pathology and effective project management methods which enable us to provide our Clients with a comprehensive building consultancy service.

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**Note:** It should be noted that the number of developments/areas has changed over the years in line with the delivery of new stock. As such, the average in the earlier years is derived from a lower number of projects. Whilst representing the apartment/villa/office average at the time, it is not a like for like comparison.