

A photograph of a modern city skyline in Dubai, featuring several prominent skyscrapers with blue and gold facades. The buildings are set against a clear blue sky. One building has 'GEVOR HOTEL' written on it, and another has a 'WR' logo.

Dubai Commercial

Crescit Cvm Commercio Civitas
Analyzing Office and Retail Sales

Executive Summary

- **Annual Values and Volumes**

Office sales have always made up a small portion of the real estate market in Dubai. However, since 2009, the percentage of total sales that offices have accounted for has been declining. 2023 saw the lowest portion of office sales relative to all citywide sales since 2009, with just over 2% and 1% of citywide volume and value respectively coming from offices.

- **Unmatched Peaks**

Although the generally accepted consensus is that 2014 was a peak year for Dubai, parsing the data for office sales prices and value reveals that 2009 was actually far better for the commercial real estate market. Office prices per square foot, rental prices and rental yields have yet to return to the heights seen in 2009.

- **Office Price Differences**

Across a variety of both A grade and B grade areas, we can see that far fewer office units sold above the citywide average price per square foot in 2023 than in 2009. Furthermore, the premiums in 2009 were much higher than in 2023, further reinforcing the notion that 2009 was, in fact, the peak year for commercial real estate.



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- 1. Annual Values and Volumes**
- 2. Unmatched Peaks**
- 3. Office Price Differences**

Annual Values and Volumes

"There is nothing permanent except change."

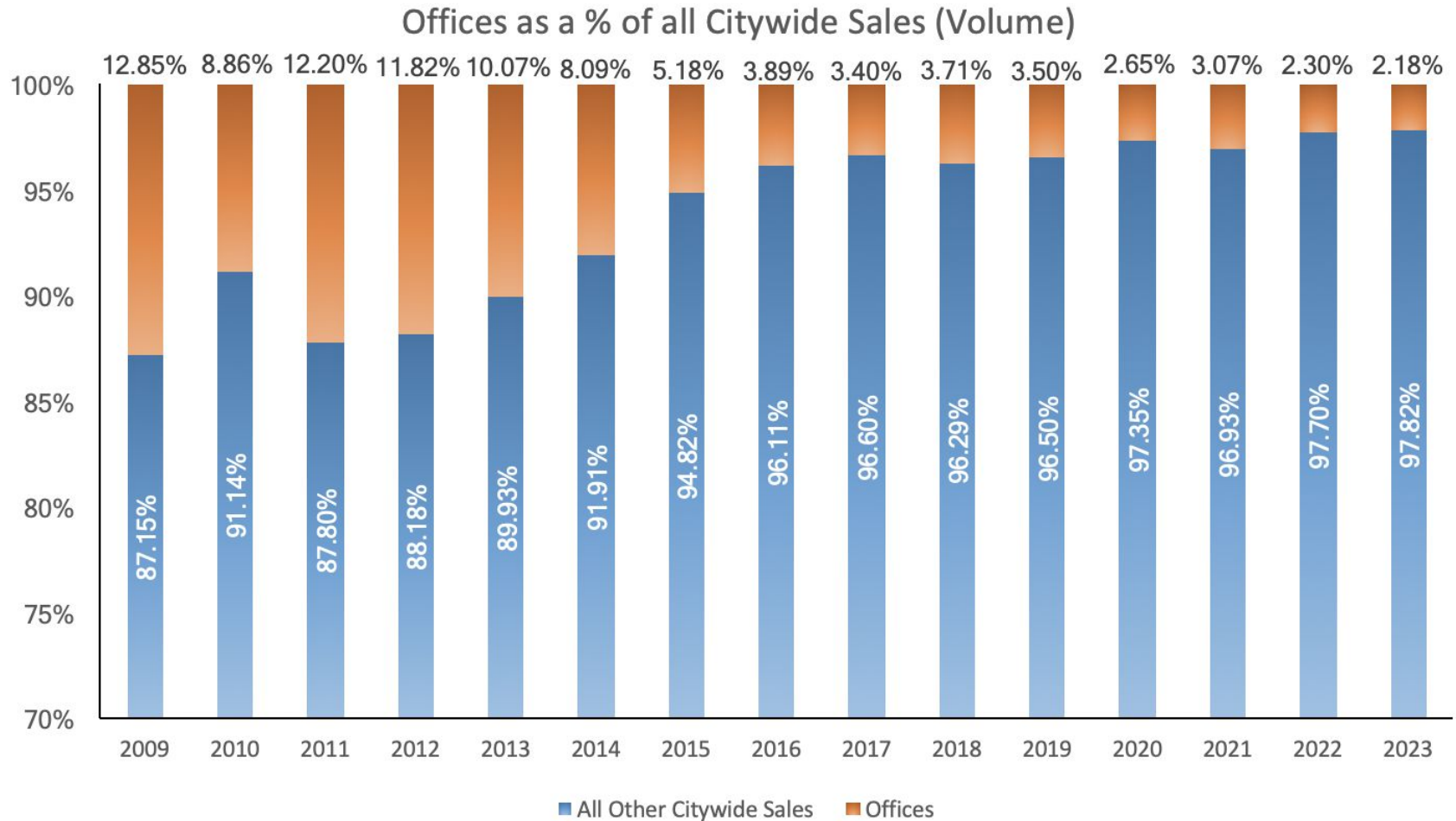
- Heraclitus



Volume Breakdown

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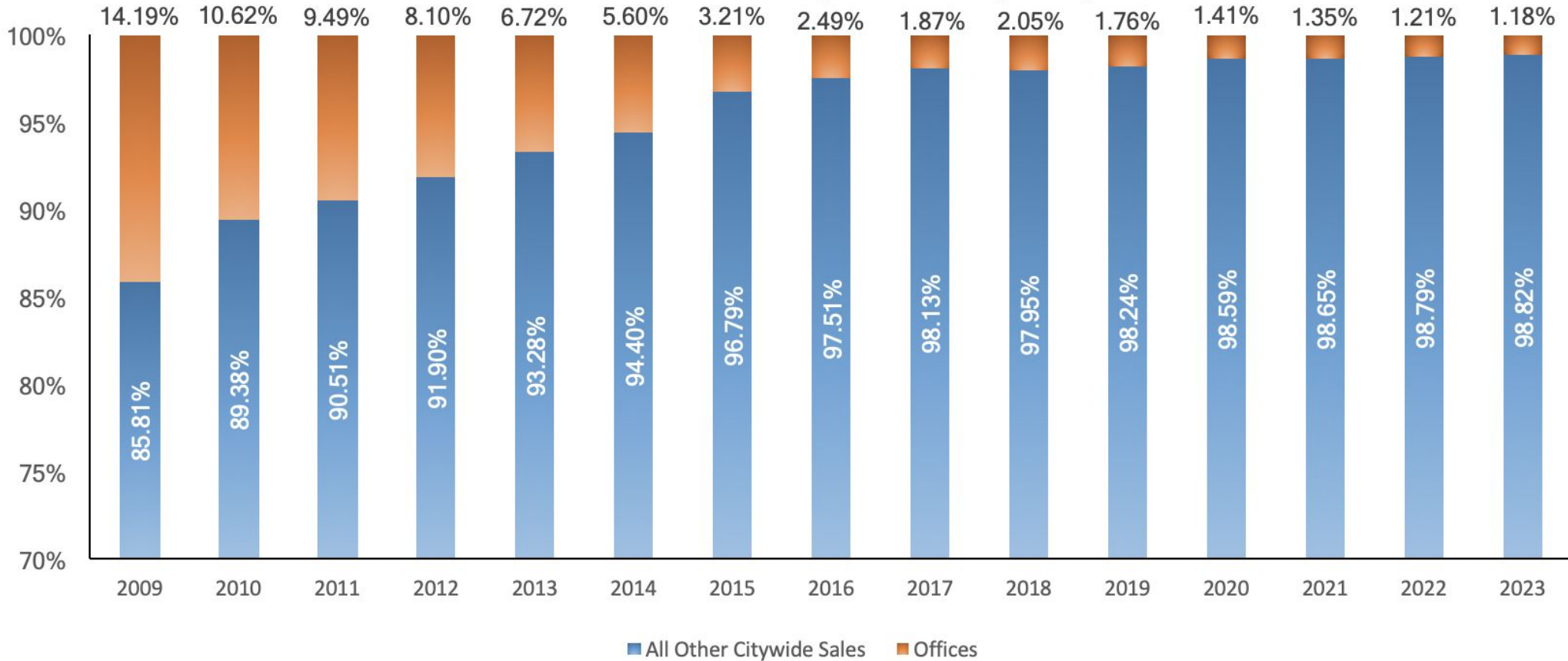
We can see that office sales (as a percentage of all citywide sales) have steadily declined since 2009. In 2023, offices made up 2.18% of all sales, the lowest it has been in the last 15 years. This is likely attributable to the simultaneous decline in total office sales and increase in all other sales; in 2009, 11,017 office units were sold, compared to 2,745 in 2023. By contrast, all other citywide sales have increased from 74,719 in 2009 to 122,931 in 2023 (primarily driven by residential transactions).

Value Breakdown

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Offices as a % of all Citywide Sales (Value)



When it comes to value, there is an even steeper decline. In 2009, total office sales netted AED 19.47 billion, more than quadruple the AED 4.61 billion they accounted for in 2023. Meanwhile, all other citywide sales have more than tripled in the same time frame, going from AED 117.78 billion in 2009 to AED 386.2 billion in 2023.

Unmatched Peaks

“What is at a peak is certain to decline. He who shows his hand will surely be defeated. He who can prevail in battle by taking advantage of his enemy’s doubts is invincible.”

– Cao Cao



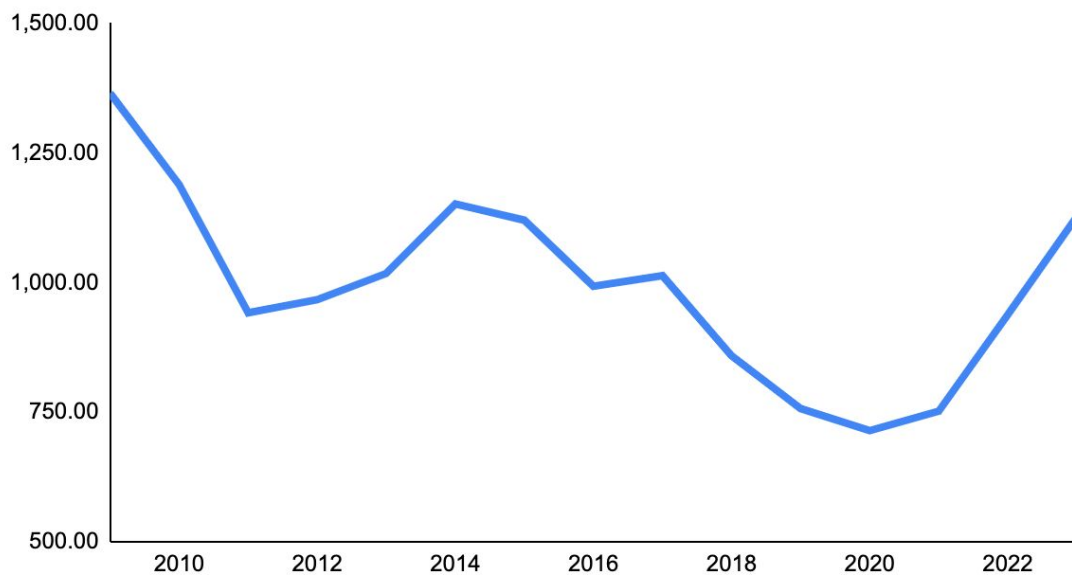
Office Sales Trends

GCP

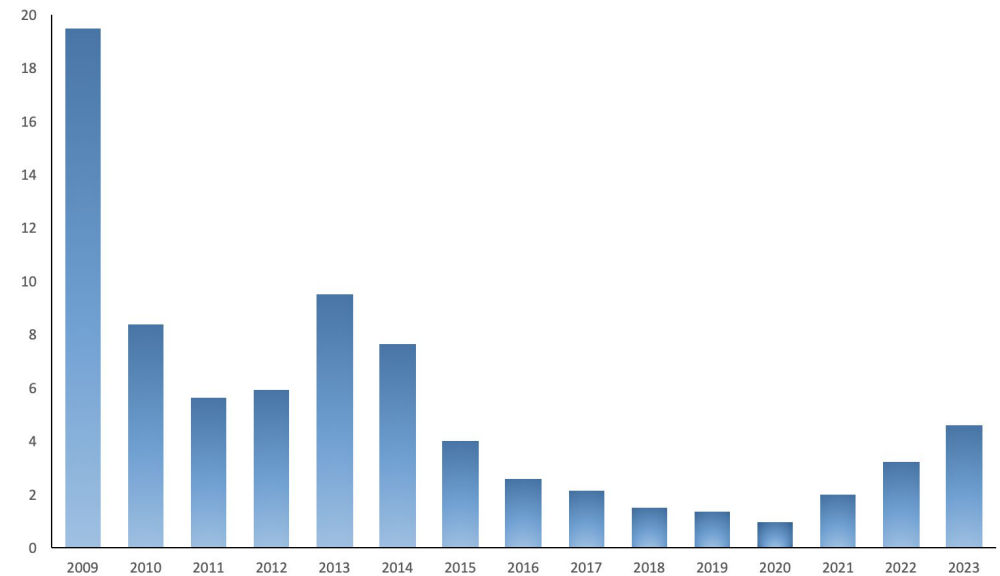
From both charts on the right, we can surmise that 2009 was a peak year for sales in Dubai. Even though we are now seeing somewhat a resurgence in price performance and sales (in terms of value), neither has yet come close to 2009 levels.

Citywide Office Prices

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Citywide Offices Annual Sales Value
(in AED Billions)



Retail Sales Trends

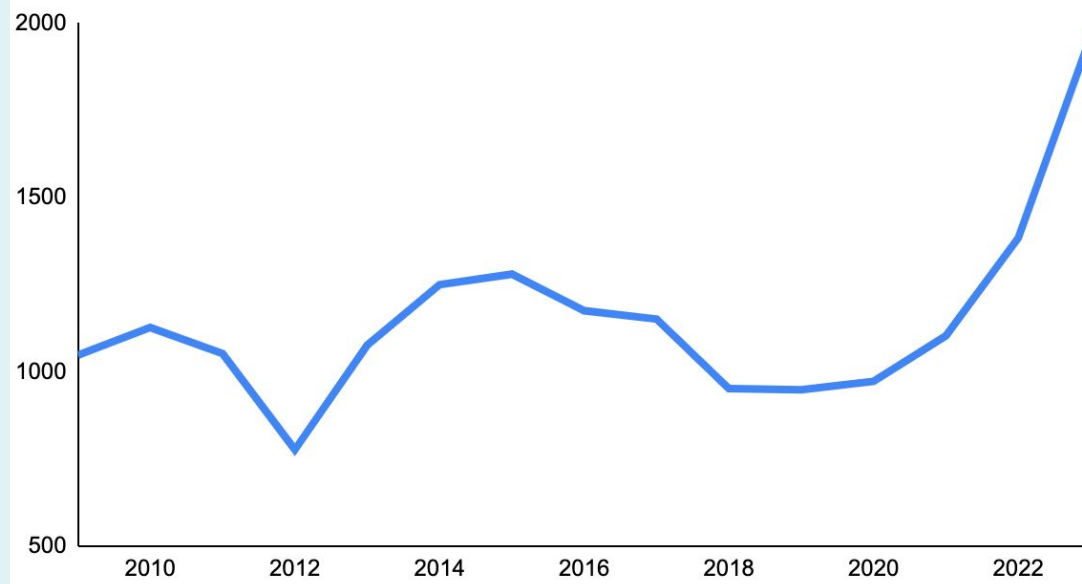


If we look to retail sales to support this thesis, the trend in prices per square foot appear to contradict our findings based on office data. Retail units sold at a citywide average of 1963.2 AED/SqFt in 2023, nearly double the 1048.2 AED/SqFt they were selling at in 2009.

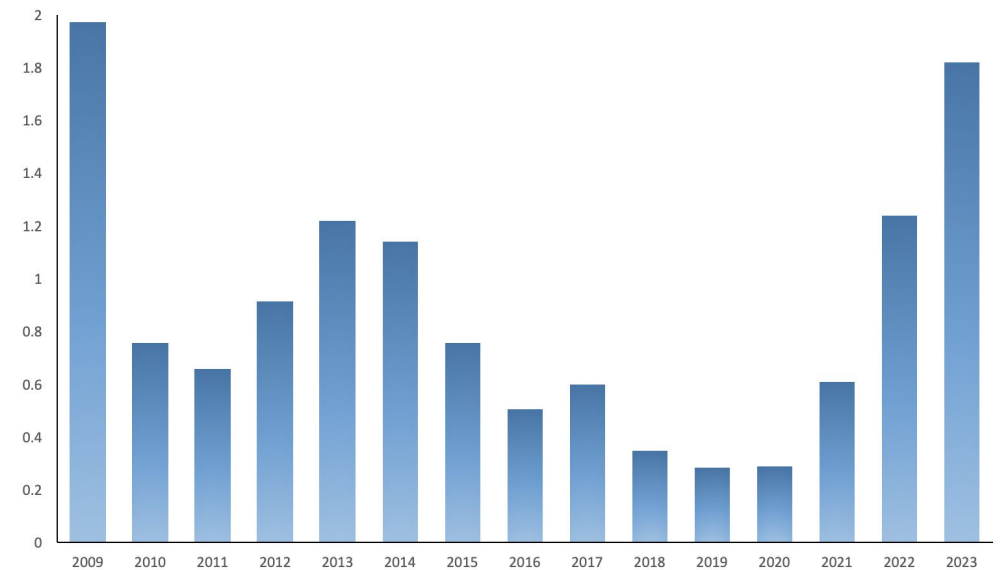
However, a quick look at the annual sales values provides some additional context. Total retail unit sales amounted to AED 1.82 billion, still below the AED 1.97 billion of sales in 2009. Based on this, we can infer that retail prices have likely been inflated by the rise in demand from tourism (and these price hikes are most likely heavily concentrated in areas with high volumes of tourist traffic, such as Dubai Marina).

Citywide Retail Price Trend (AED/SqFt)

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Citywide Retail Annual Sales Value (in AED Billions)



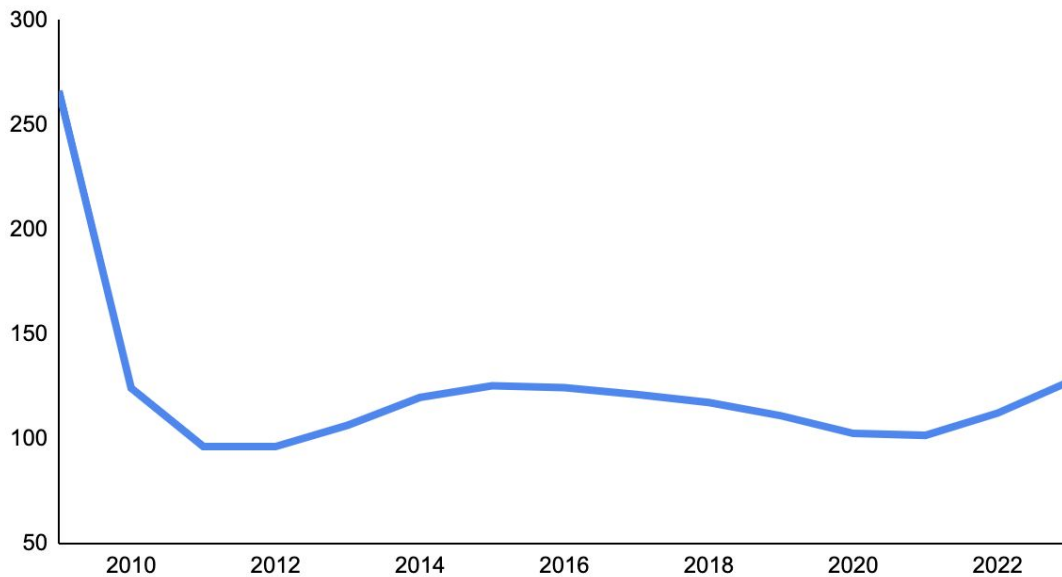
Office Rent Trends



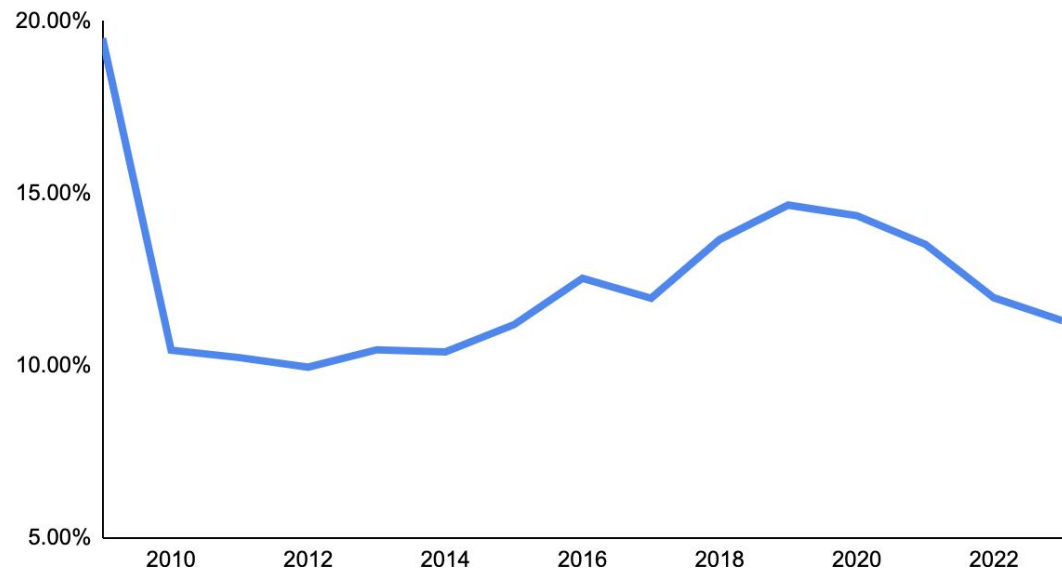
Returning to offices, we see much of the same (albeit more pronounced) in the rental space. Office rents were 127.5 AED/SqFt on average in 2023, the highest they had been post-2010 but still less than half of the 266.4 AED/SqFt they were in 2009. Similarly, rental yields have yet to reach the 19.51% citywide average of 2009.



Citywide Office Rents (AED/SqFt)



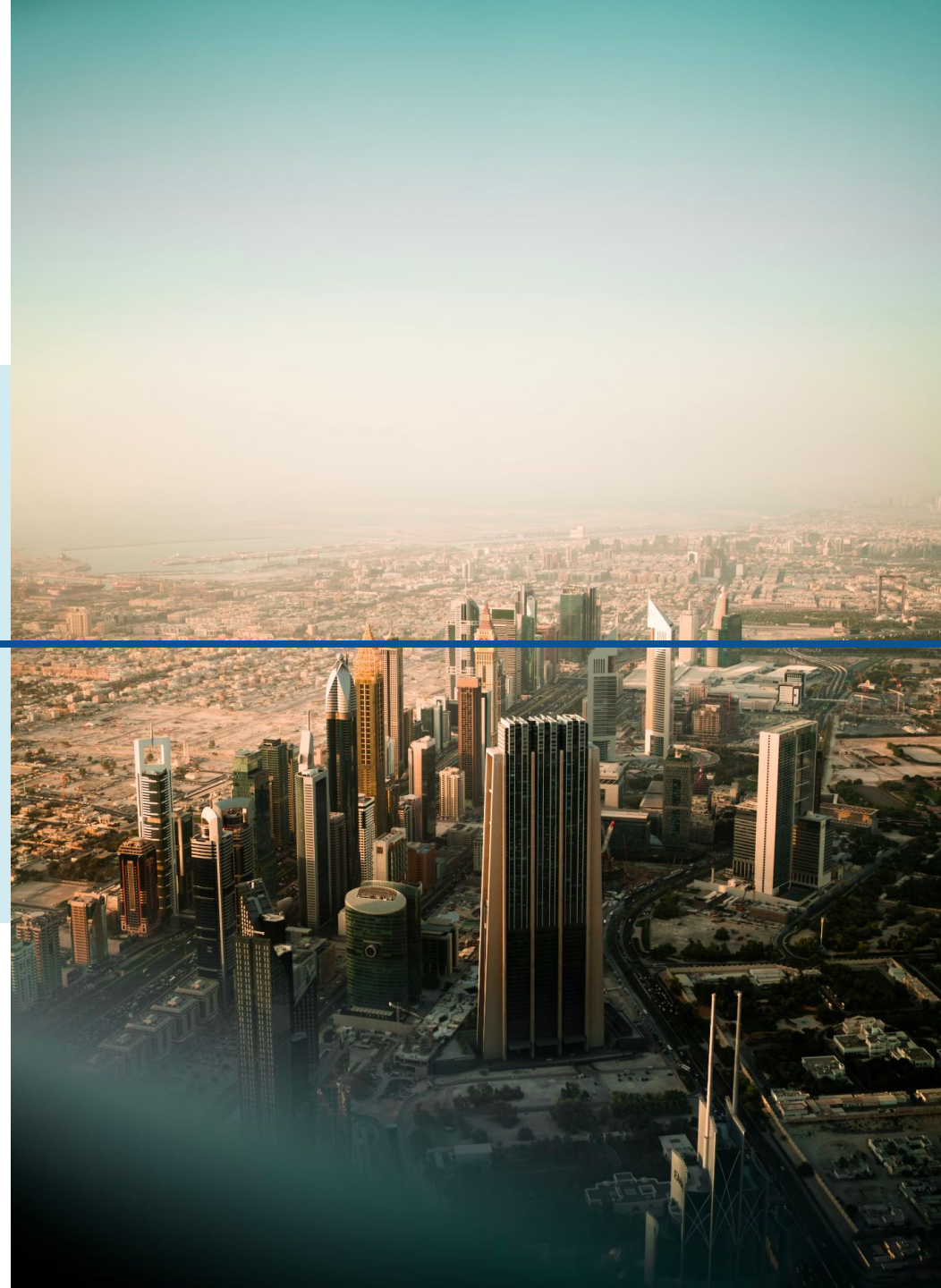
Citywide Office Rental Yields



2009-2023 Price Differences

“Life is apogee, apex, decline; life is death – and everything else is open to discussion.”

– Colin Farrell



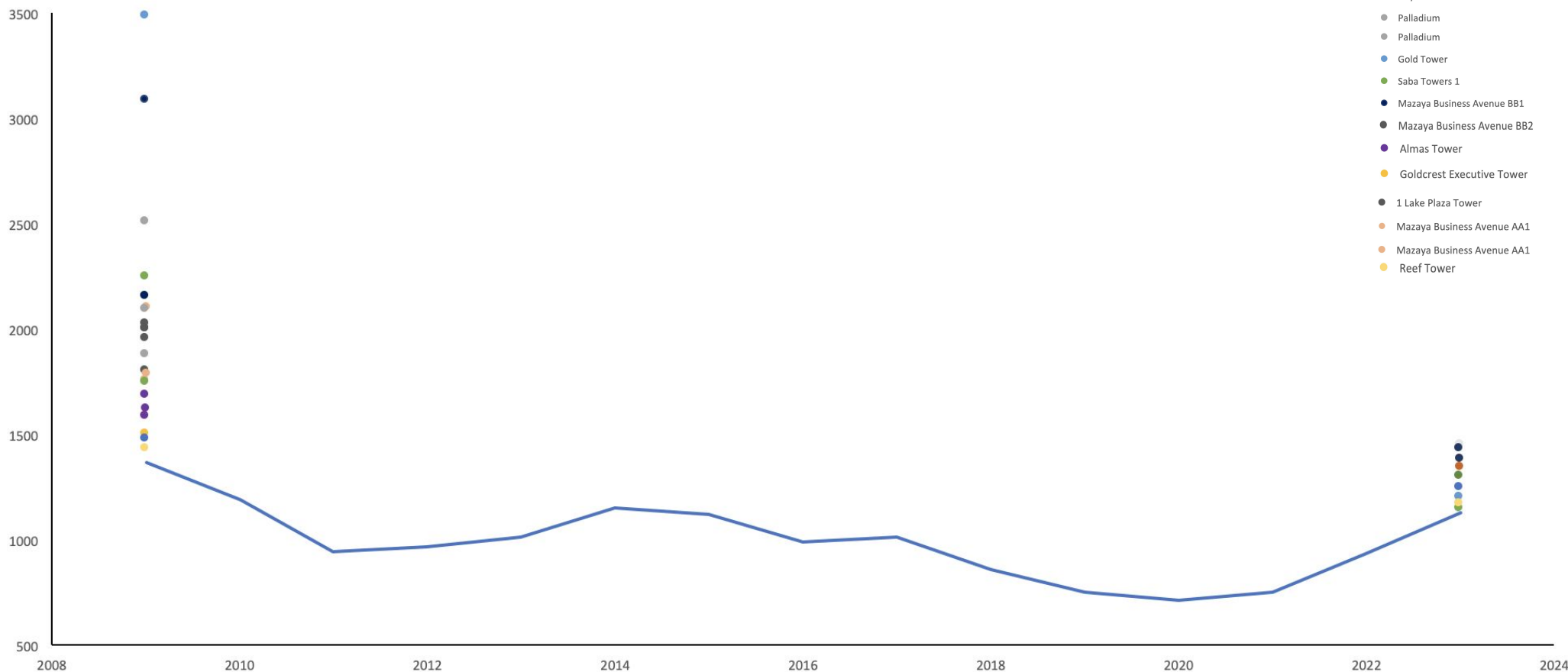
Jumeirah Lake Towers Price Differences

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JLT Office Price Differences

- Citywide
- Palladium
- Palladium
- Gold Tower
- Saba Towers 1
- Mazaya Business Avenue BB1
- Mazaya Business Avenue BB2
- Almas Tower
- Goldcrest Executive Tower
- 1 Lake Plaza Tower
- Mazaya Business Avenue AA1
- Mazaya Business Avenue AA1
- Reef Tower



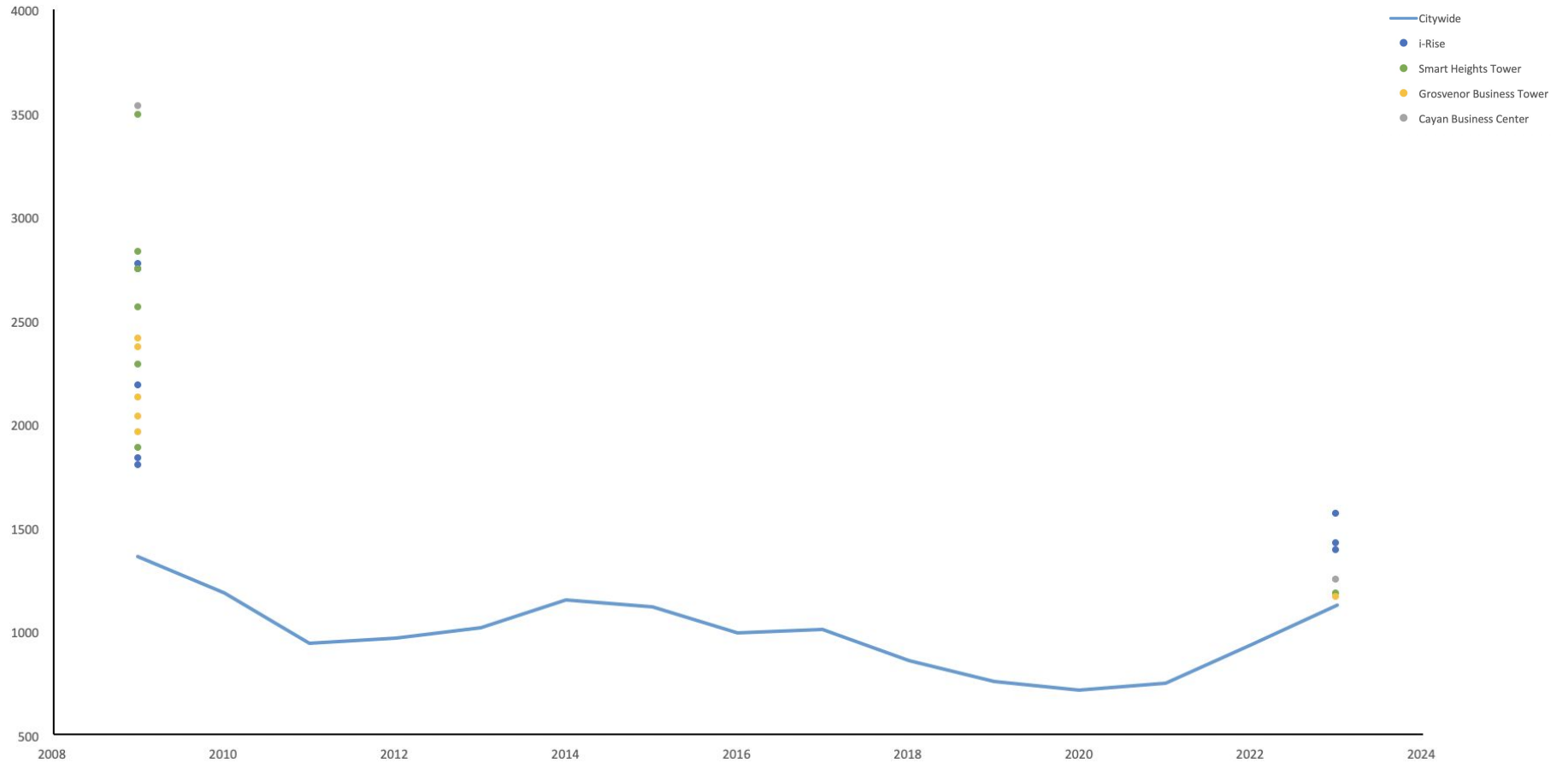
We have already established that 2009 was a peak year for office sales, but the above graph illustrates how many offices sold at a higher price (per square foot) in 2009 compared to 2023 in Jumeirah Lake Towers. Based on the distribution of the individual data points, we can see that not only were there *more* units sold above the citywide average, but also at a greater premium. For example, units in Gold Tower and Palladium Tower sold at for over AED 1,000/SqFt more than the citywide average in 2009. Offices in those same buildings in 2023 struggled to garner premiums of AED 200/SqFt.

Barsha Heights Price Differences

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Barsha Heights Office Price Differences



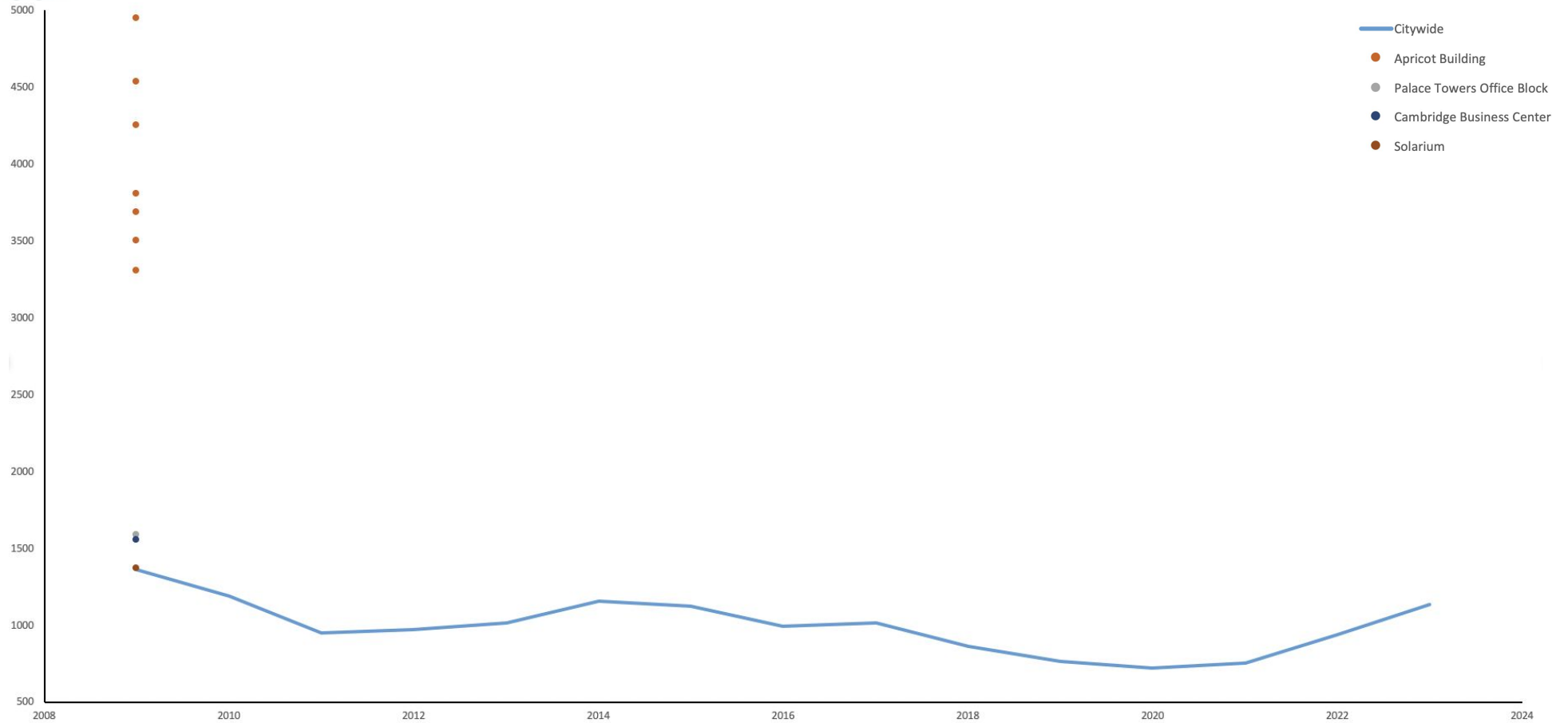
We see much of the same in Barsha Heights. Far more units were selling above the citywide average, and at greater premiums, in 2009 than in 2023.

Dubai Silicon Oasis Price Differences

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Dubai Silicon Oasis Office Price Differences

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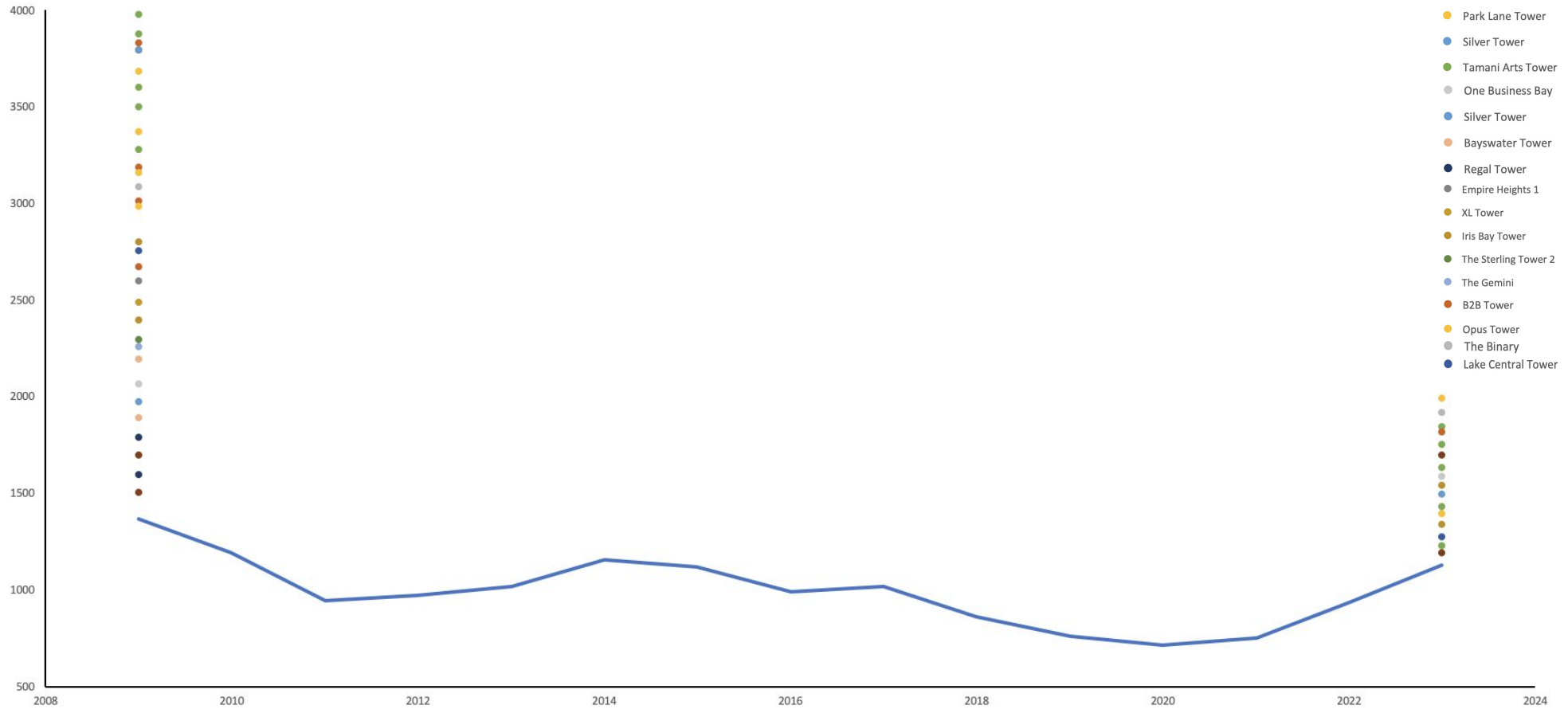
In Dubai Silicon Oasis, this phenomenon is even more prominent. In 2009, there were units selling for more than triple the citywide average. In 2023, however, not a single office unit sold at over the citywide average.

Business Bay Price Differences

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Business Bay Office Price Differences

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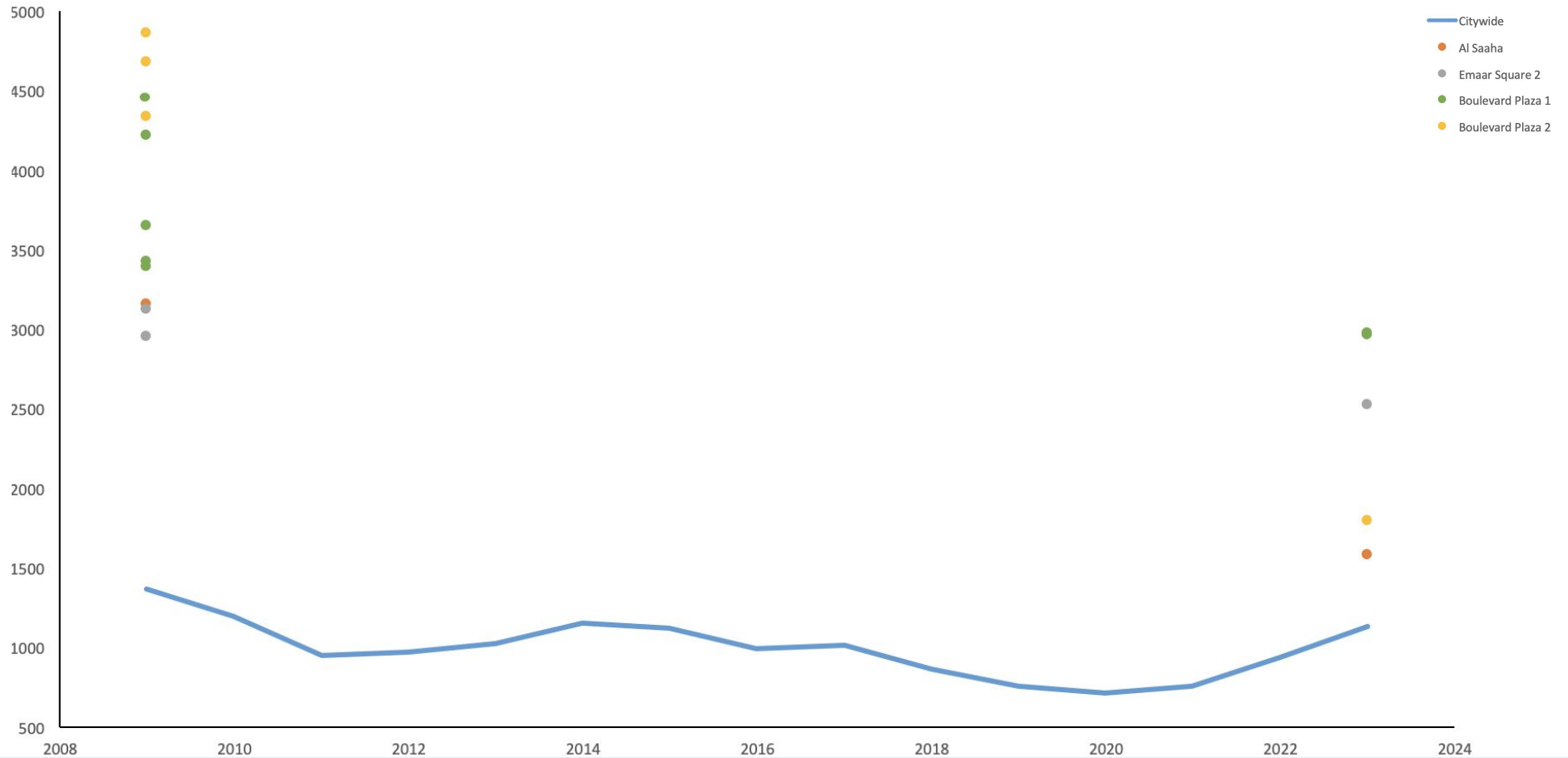
The effect also holds true in areas deemed to be “Grade A” for offices. Taking Business Bay as an example, we can see that although many units sold over the citywide average price in 2023, it was still a year dwarfed by the volume and magnitude of sales in 2009.

Downtown Dubai Price Differences

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Downtown Dubai Office Price Differences

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Looking at another A Grade area, Downtown Dubai, reveals much of the same. Sales above the citywide average were far rarer in 2023 than in 2009, and at smaller premiums. In Boulevard Plaza 2, for example, office units were selling for up to 2.7 times more in 2009 than in 2023.

Conclusions

Annual Values and Volumes

Since 2009, the total value and volume of office sales as a percentage of total citywide sales has been steadily declining. This is partly due to the simultaneous increase in residential transactions, which account for the majority of the value and volume across the entire market.

Unmatched Peaks

Citywide average sales prices, rental prices and rental yields have all yet to return to 2023 levels. Furthermore, total sales value for offices in 2009 was more than quadruple its 2023 equivalent, and a similar pattern is evident among retail transactions. This cements 2009 as a peak year for commercial real estate in Dubai.

2009-2023 Price Differences

Across a number of communities (both A and B grade), we can see that there were far more office unit sales above the citywide average in 2009 than in 2023. Furthermore, the units that did sell above the citywide average sold at far higher premiums in 2009 than in 2023.

Conclusion

Based on the aforementioned points, it seems reasonable to conclude that Dubai's commercial real estate market is likely to see an uptick in investment. Office and retail prices have both been rising, reflecting the demand for these units outpacing the limited supply. As supply catches up, investors can expect to see a reversal of the trend that has been present since 2009, and for the commercial market to heat up again.

The total citywide sales value of office sales in 2009 was 4.22 times higher than in 2023, and 2.05 times higher than in 2013 (the next best year after 2009).

Retail prices per square foot have been increasing, reaching an all time high in 2023. 2023 also saw the highest sales value for retail units since 2009, likely due to the uptick in tourism.



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-HH General Sheikh Mohammed Bin Rashid Al Maktoum
The Ruler of Dubai, Prime Minister and Vice President of the UAE

