

VACO Reference Material

PROSPECTS AND PROJECTIONS:

ANALYZING
THE ABU DHABI REAL ESTATE MARKET
OUTLOOK FOR
2023

Researched and Collated By:
VACO Middle East Est.
Abu Dhabi, United Arab Emirates
info@vaco.ae
+971 56 947 9733
Visit us at www.vaco.ae



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The UAE real estate market, in particular in Abu Dhabi, continues to grow. The emirate demonstrates a high rate of development, which directly affects the economy of the capital. A wide range of properties with different pricing categories are offered in Abu Dhabi by some of the most sought-after developers, in the most attractive locations.

The government is determined to attract highly skilled and wealthy people to the country. Therefore, a new regulation concerning residency visas, including a 10-year Gold Visa, was introduced together with less strict rules for business operations. Tourism in Abu Dhabi is recovering after the COVID-19 pandemic, and many cultural landmarks and entertainment centres are now open for visitors to enjoy in the emirate. Other trends in the capital's real estate market, the remarkable achievements of 2022 and the experts' forecasts for 2023 are observed in this article.

SUMMARY AND ECONOMICAL INDICATORS OF THE UAE IN 2022

The global geopolitical situation made the UAE one of the most attractive countries in the world, in terms of real estate purchase and permanent residence. There are many reasons why the economic situation has remained stable here, as the tendency of oil price growth still continues in the UAE. It is also important to mention the success of the Dubai Expo 2020, which was visited by about 24,000,000 people from October 2021 to March 2022.

One of the most important reasons for development is the real estate industry. The Emirates has earned first place in the world with 82 points in the Global Real Estate Index rating, which indicates the best countries for investment migration. This result was determined on the basis of the residential property price per sq. m and the possible rental income.

The UAE real estate market is attractive for investors willing to purchase affordable properties. At the same time, the country can also offer a vast choice of luxury projects, both ready-to-move-in and off-plan. It should be mentioned that in the first quarter of 2022, the highest number of deals were recorded in the history of this period.

Foreign professionals and investors have also chosen the UAE for permanent residence and business, as new visa reforms were introduced in October 2022, enabling buyers to obtain a 10-year "Golden Visa" with numerous benefits, when purchasing a property valued from AED 2,000,000 (USD 545,000).

In 2022, the UAE was a country with a favourable economic climate and long-term future development plans, together with a loyal visa policy for foreign citizens and an extensive choice of properties in different price groups, paired with a relatively high rental income.

ABU DHABI REAL ESTATE MARKET AND FACTORS INFLUENCING THE EMIRATE'S DEVELOPMENT

The real estate market in Abu Dhabi is demonstrating constant growth and is slowly returning to steady indicators after the COVID-19 pandemic. As of the third quarter of 2022, the number of deals recorded in the emirate increased by 37.5% compared to 2021, while 72.1% of them related to off-plan projects. In total, the Department of Municipalities and Transport (DMT) had recorded 58,290 deals with a value of AED 13,300,000,000 (USD 3,600,000,000) during the period from January to September 2022, while 3,164 new residential units were completed in Abu Dhabi by September during the same year.

Note: Abu Dhabi is a highly profitable destination for real estate investments. You can learn more about its benefits and the most popular locations of the emirate in this article.

Compared to September 2021, the cost of residential property in the emirate increased by 3.2% during the same time in 2022. The average price for apartments increased by 3.3% up to AED 11,141 (USD 3,030) per sq. m, and for villas — by 2.7% with the price of AED 9,013 (USD 2,450) per sq. m. On average, the price for apartments in Abu Dhabi has increased by 2.1% and for villas by 6.8% since the first quarter of 2020. Such an interest in the latter can be explained by the fact that buyers prefer to purchase spacious residences, where they can arrange additional recreational spaces and equip gyms, study rooms, etc.

As for the rental market in Abu Dhabi, the prices remain rather stable compared to 2021: a decrease by only 0.5% has been observed. The rental price of 1 sq. ft. is AED 59 (USD 16), which is equivalent to AED 635 (USD 173) per sq. m.

A significant factor contributing to the development of the Abu Dhabi real estate market was the launch of DARI, a digital ecosystem, introduced by the Department of Municipalities and Transport (DMT), that integrates the emirate's multiple real estate services into one common platform to deliver comprehensive and innovative services.

MOST POPULAR AREAS IN ABU DHABI

Evgeny Ratskevich, CEO Metropolitan Capital Real Estate, stated that about 80% of all deals registered by the company were for residences located in Yas Island, Saadiyat Island, Al Reem Island, Khalifa City and Al Raha Beach. He also pointed out that compared to 2021, the number of foreign clients increased by 50% over the first four months of 2022, and 90% of them have relocated to Abu Dhabi with their families. These figures highlight the excellent infrastructure of the emirate that has a wide selection of recreational facilities for families.

Note: There are several freehold areas established in the emirate, where the purchase of real estate with 100% ownership is available for both residents and foreign citizens. You can learn about the five best areas for property purchase in Abu Dhabi in this article.

APARTMENTS

In its report for the third quarter of 2022, Property Finder revealed the most popular areas for real estate purchases in Abu Dhabi were Al Raha Beach, Al Reef, Al Reem Island, Saadiyat Island and Yas Island. The highest average apartment purchase price was recorded on Saadiyat Island for AED 2,100,000 (USD 572,000) for a 1-bedroom apartment, AED 2,600,000 (USD 708,000) for 2-bedroom apartment and AED 3,800,000 (USD 1,035,000) for 3-bedroom apartment.

Regarding off-plan real estate, many new apartment projects have been launched in the emirate. For example, there are 400 units in Louvre Abu Dhabi Residences, 240 in Jubail Island, 525 in Pixel and 371 in Yas Beach Residences, just to name a few of them.

The most popular areas to rent apartments in Abu Dhabi during 2022 were Al Khalidiya, Al Raha Beach, Al Reem Island, Corniche Road and Khalifa City. The highest average annual rental price for 1 and 2-bedroom apartments were recorded in Corniche Road at AED 85,000 (USD 23,000) and AED 121,000 (USD 33,000), respectively. The most expensive 3-bedroom apartment rental property is in Al Raha Beach, with a cost of AED 170,000 (USD 46,000) per year. The most affordable 1–3 bedroom apartments can be found in Khalifa City with annual rental prices of AED 42,000 (USD 11,000), AED 62,000 (USD 17,000) and AED 83,000 (USD 23,000) respectively.

The highest average ROI in the emirate for apartments with 1–3 bedrooms, according to the Property Finder, is registered on Al Reem Island at 7.3%, 6.8% and 6.5%.

VILLAS

The demand for villas and townhouses in Abu Dhabi also continues to grow, driven by individuals' desire for privacy and more personal space, as well as the need to have a working space in their own home. To meet this demand, developers are announcing new projects, such as Yas Park Gate by Aldar Properties with 508 residential units.

About 80% of these properties are expected in the following areas: Yas Island — 5,165, Al Reem Island — 2,980, Khalifa City — 2,024 and Al Saadiyat Island — 1,702. In terms of the total number of villas, the areas can be ranked as follows: Yas Island — 2,459, Al Jubail Island — 730, Al Reem Island — 678, Al Saadiyat Island — 669 and Zayed City — 662.

The analysis by Property Finder for the third quarter of 2022 revealed the most desirable areas for the purchase of villas and townhouses, which are Saadiyat Island, Yas Island, Khalifa City, Al Raha Garden and Al Reef. The most expensive 3, 4 and 5-bedroom villas are located on Saadiyat Island, with an average purchase price of AED 5,600,000 (USD 1,525,000), AED 7,800,000 (USD 2,124,000) and AED 13,000,000 (USD 3,539,000) respectively.

The most popular areas in the villa rental market are Al Reef, Khalifa City, Mohamed Bin Zayed City, Saadiyat Island and Yas Island. The most affordable 3-bedroom villas for rent are in Mohamed Bin Zayed City at AED 113,000 (USD 31,000), and 4 and 5-bedroom villas are the cheapest in Al Reef, as they can be rented for AED 134,000 (USD 37,000) and AED 151,000 (USD 41,000) per year. Villas with 3–5 bedrooms with higher rental prices are located on Saadiyat Island. The following prices are registered there — AED 298,000 (USD 81,000), AED 341,000 (USD 93,000) and AED 539,000 (USD 147,000) respectively.

The highest ROI for 3 and 5-bedroom villas was found in Al Reef — 9.4% and 5.9%, and the ROI for 4-bedroom villas on Yas Island reached 7.14%.

NB: Aldar Properties is one of the best developers in the UAE, with the majority of prime projects announced in 2022 were created by this company.

COMMERCIAL REAL ESTATE

The commercial real estate market in Abu Dhabi remains stable. For example, in the third quarter of 2022, workplace attendance increased by 16% compared to the beginning of the COVID-19 pandemic, as a result of easing restrictions. Co-working spaces and maintained offices are still popular. In total, 63,000 sq. m of working premises have appeared in the emirate since the second quarter of the year. At the same time, Prime, Grade A and Grade B rental rates are increasing. Over the year and up to the third quarter of 2022, the rates have increased by 1.4%, 2.9% and 5.5% respectively.

Industrial and logistics sectors of the emirate also continue demonstrating excellent performance. In the third quarter of 2022 an increase in rental prices by 2.6% was recorded, and the average cost of 1 sq. m. of this type of commercial real estate in Abu Dhabi has reached AED 372 (USD 101).

The retail industry in the capital has shown growth by 18.6%, which corresponds to the figures observed before the pandemic, and rental rates remain stable compared to the same period in 2021.

ABU DHABI REAL ESTATE MARKET FORECAST FOR 2023

For the real estate market in Abu Dhabi, the year 2022 was a successful one. According to experts, the main factors of its development in 2023 will be a stable economy and oil prices, while a considerable part of funds will be spent to improve all life spheres of the emirate.

Important: Foreign investors choose Abu Dhabi for business and permanent residence due to many reasons, such as its well-established infrastructure, competitive salaries, the availability of various recreational facilities, its high level of security, and much more.

Experts believe that the real estate market in the capital will not just remain stable but will continue to grow. Yas Island and Saadiyat Island will remain the most sought-after areas of Abu Dhabi in terms of real estate purchases. For the period from July to September 2022, the transactions in these areas had reached AED 1,000,000,000 (USD 272,250,000) and AED 929,000,000 (USD 253,000,000).

Numerous high quality projects by the most reliable developers were launched in the emirate last year, including Yas Park Gate, Louvre Abu Dhabi Residences, Saadiyat Lagoons, Grove Museum Views, Bloom Living, Reem Hills, Yas Golf Collection, Pixel, Sunset Valley and many others. It is expected that

new phases will be announced in many of these complexes, which will also be a great option for investment.

The demand for real estate in the capital among foreigners, especially those from European and Asian countries, will continue to remain. This can be explained by the new visa policy, including the 10-year "Golden Visa", as well as the favourable geopolitical situation and economic climate of the UAE.

A large number of off-plan real estate launches are planned for 2023 in Abu Dhabi. During the first few weeks of January alone, three large-scale projects were announced, including The Sustainable City Yas Island by Aldar Properties and Diamond Developers. The design of this innovative community confirms the increasing trend for the involvement of advanced and environmentally friendly technologies that will allow developers to help reduce utility costs for its future residents. There is also a strong increase in the demand for luxury residences in Abu Dhabi. Evidently, the emirate's key developers will be frequently launching not only affordable projects, but also ultra-luxury residential complexes located in the most prestigious areas of the capital.

HOW CAN WE HELP?

Our Asset Portfolio consultancy service is designed to assist foreign buyers in purchasing investment properties in Abu Dhabi. Investing in a foreign property is a great way to build generational wealth and take advantage of tax-free income. Our team of investment experts works closely with clients to identify opportunities that meet their needs and goals, provide guidance on market trends and regulations, and help with all aspects of the purchase process. We also assist clients in furnishing properties and finding tenants, providing a hassle-free and profitable investment experience. With VACO's Foreign Property Investment Consultancy, clients can enjoy the benefits of owning an investment property in Abu Dhabi, including the potential for significant returns on investment, a stable and growing real estate market, and a favourable tax environment. Invest in your future and build a solid foundation for generational wealth.

Need More?

VACO Has You Covered

VACO Middle East is a leading consulting firm that provides innovative and customized solutions to help businesses thrive in the dynamic global market. We specialize in a range of services, including strategic planning, human resource development, accreditations, and marketing strategy development, tailored to meet the unique needs of start-ups and established companies alike. With our expertise and collaborative approach, we can help you take your business to the next level and achieve your goals. Reach out to our team today and find out how you can grow your business.



VACO Middle East Est.

Abu Dhabi, United Arab Emirates

Visit us at www.vaco.ae

info@vaco.ae

+971 56 947 9733