

Abu Dhabi Residential Market Review



Summer 2023

A quarterly review of key trends and the performance of
Abu Dhabi's residential market

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Al Reem Island dominates sales

During Q2 2023, Al Reem Island emerged as Abu Dhabi's most active submarket, recording AED 2.1 billion in deals, through a total of 816 sales transactions, with villas accounting for 76% and apartments making up 24% of the total. Saadiyat Island followed in second place at AED 1.2 billion, apartments here dominating the sales at 68%. In addition, Yas Island was ranked third at AED 919 million with villas leading the sales at 65%.

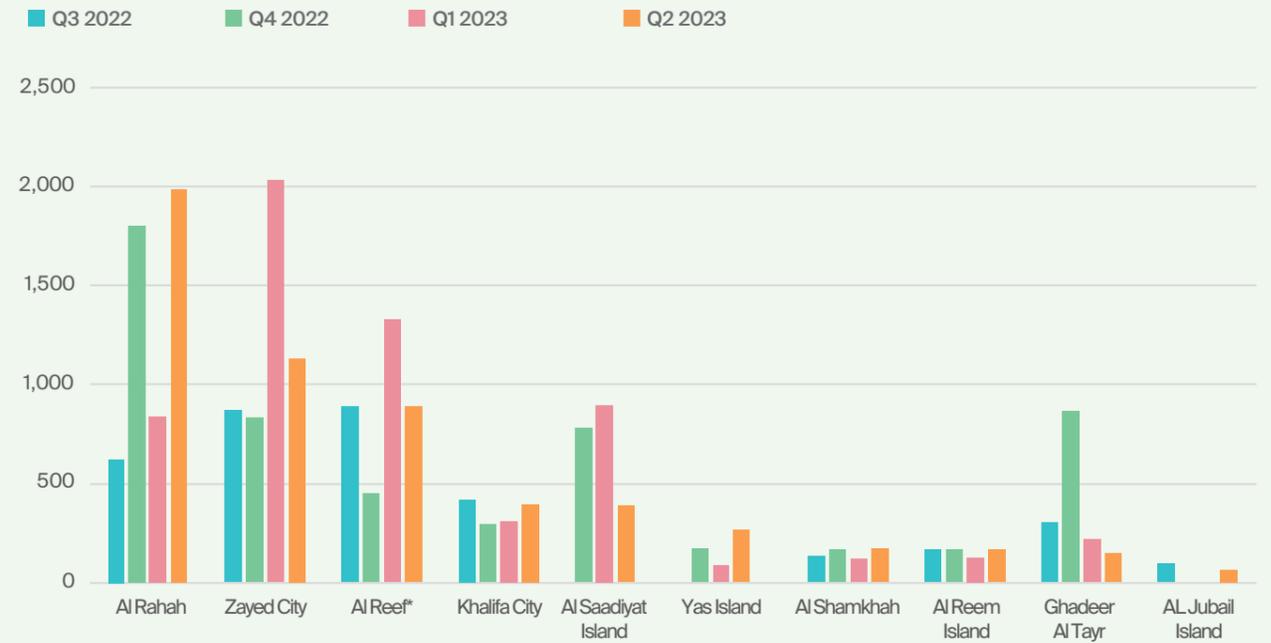
The total value of transactions across Abu Dhabi increased substantially to AED 6.1 billion, or by 103% during Q2 2023, when compared to the same period last year.

In general, residential values across Abu Dhabi's freehold areas grew by 1.6% in Q2, pushing average prices to AED 979 psf. This leaves prices up 2.8% on this time last year.

Overall, however, freehold values remain 25% below the 2014 market peak. When segmenting by property type, however, villas (AED 871 psf) are now 16.1% lower than 2014 levels, compared to apartments (AED 1,035 psf) which trail the last market high by 27.2%.



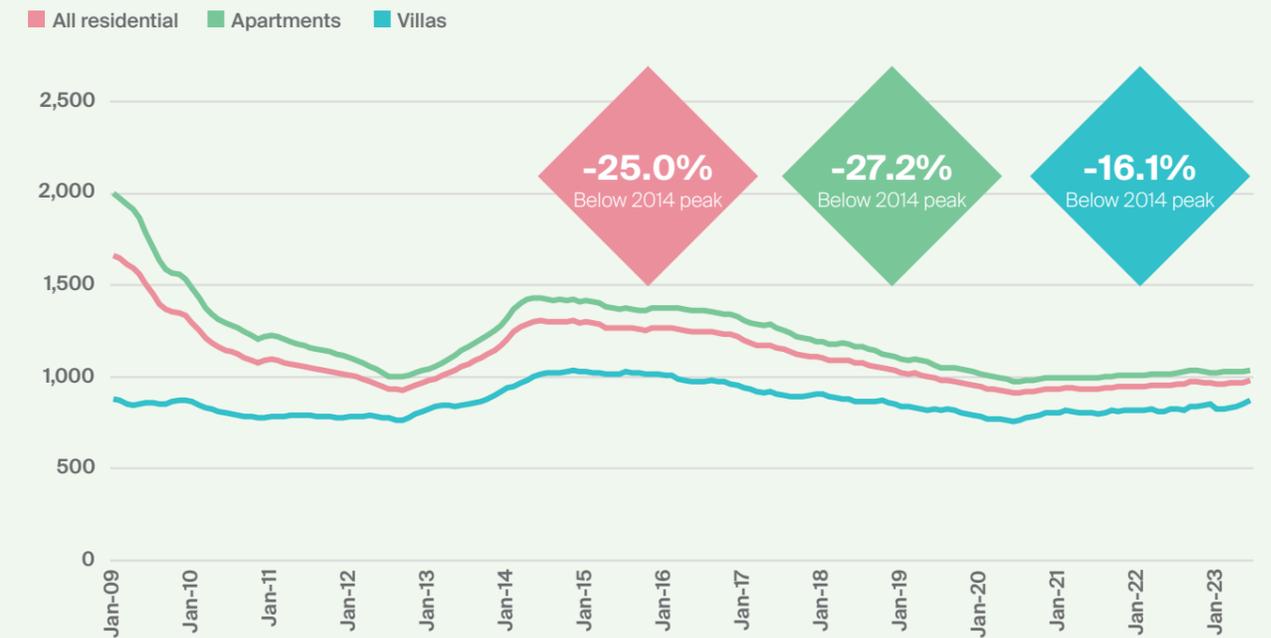
Historical top areas by total transaction value
AED million



*Approximately 50 years leasehold/usufruct submarket

Source: Knight Frank, Quanta

Average values of residential transactions (by property type)
AED psf



Source: Knight Frank, REIDIN

Villas continue to outperform apartments

Villas continue to outperform apartments, in part due to a limited supply pipeline, but also due to the persistent desire by households for larger homes as well as their relative price stability. Villa prices grew 4.7% between March and June and are now 5.7% higher than this time last year.

Furthermore, and in contrast to Dubai, the growth in villa prices is notably more pronounced in the low to mid-tier segment of the market. Al Reef Villas (AED 686 psf) and Al Raha Gardens (AED 826 psf), for instance, experienced price growth of 16.9% and 4.9%, respectively since January 2020, compared to a 0.8% decline at Saadiyat Island (AED 1,337 psf).

The rebound of prices at Al Reef Villas is in large part driven by its relative affordability. At AED 686 psf, it is amongst the most affordable of Abu Dhabi's freehold investment areas.

Amid the relatively stable and affordable price environment, buyers persist in seizing opportunities to upgrade where possible, trading up from apartments to villa locations that are perceived to be more affordable.

The best-performing freehold villa market during Q2 2023 was Al Raha Beach (AED 990 psf), where prices increased by 0.9%. Similarly, on Yas Island, the average price for a 4-bedroom villa increased by 2.3% during Q2 to around AED 4.7 million, but values here are just 1.1% higher than this time last year.

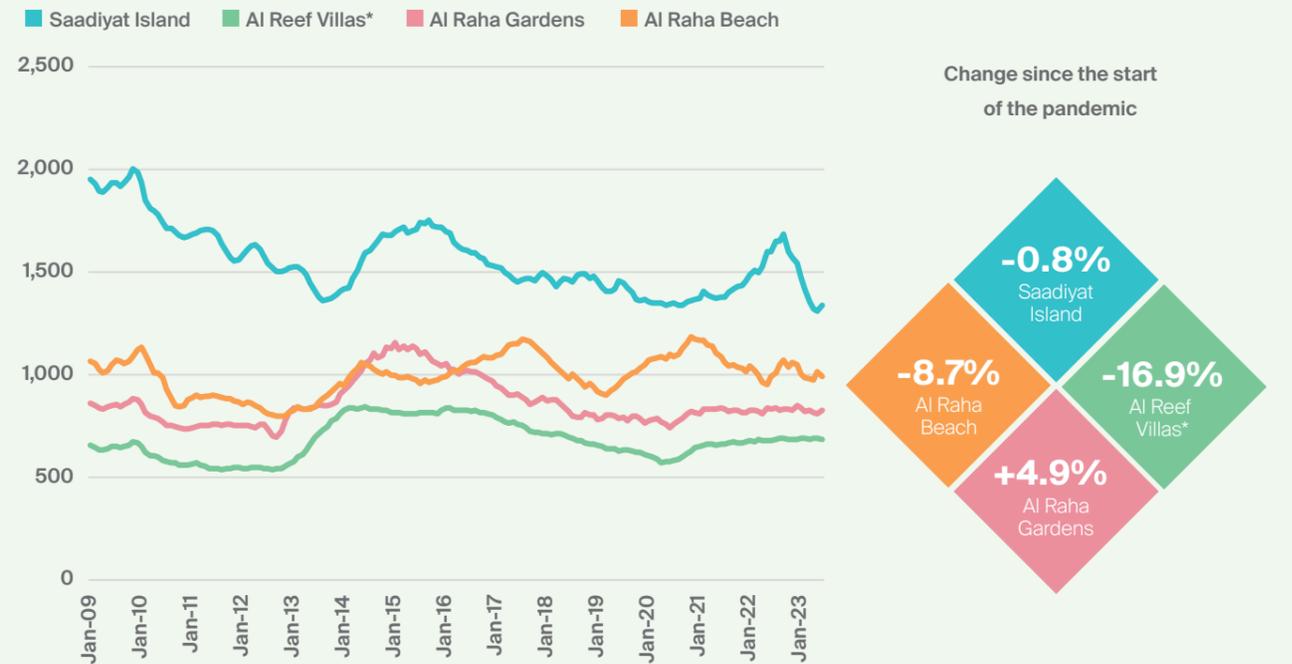
In contrast, Saadiyat Island, Abu Dhabi's most expensive freehold villa market, has experienced a price correction of -1.3% in Q2, lowering the average price here to AED 1,337 psf. For the last 9-months villa prices here have been declining and are now at levels last seen in early 2020, hinting that a price ceiling may have been breached, which is driving down demand and prices.

On the other hand, apartment prices overall rose by 1% to a little over AED 1,030 psf, delivering an annual change of +2.2%.

Apartments on Al Raha Beach continue to command the highest prices (AED 1,230 psf), however here too, despite experiencing no change in values during Q2, values in this submarket are only just recovering to January 2020 rates and currently stand at just 2.1% higher than they were three and a half years ago.



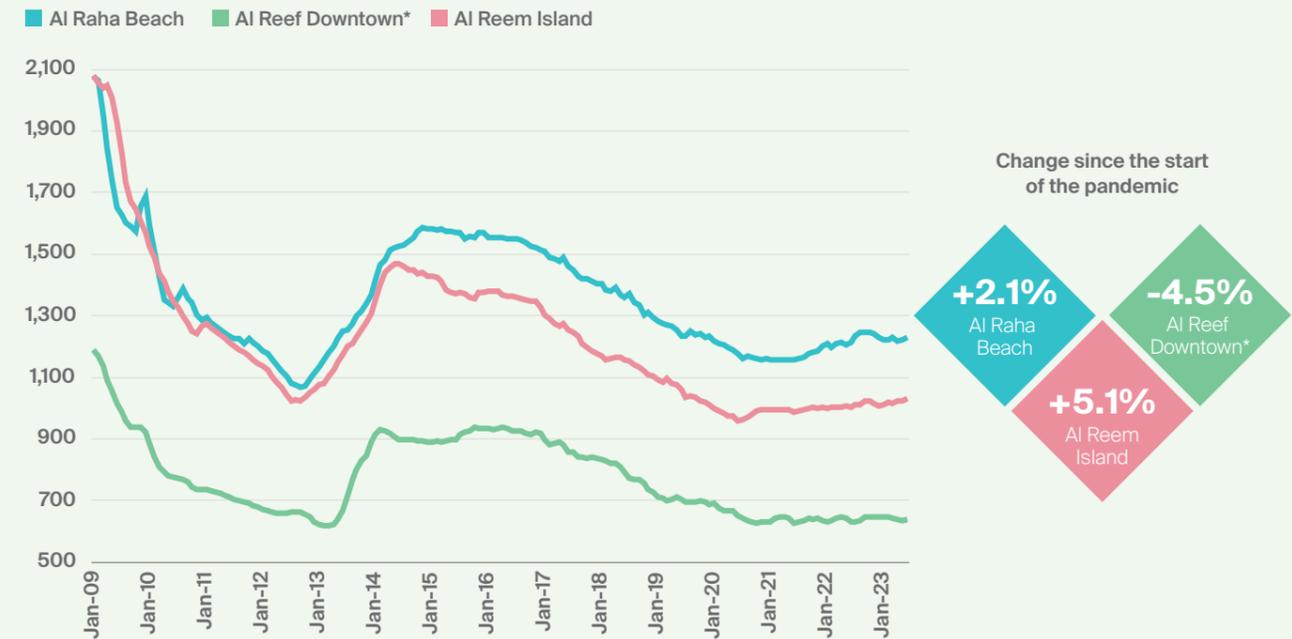
Abu Dhabi listed price performance (villas)
AED psf



*Approximately 50 years leasehold/usufruct submarket

Source: Knight Frank, REIDIN

Abu Dhabi listed price performance (apartments)
AED psf



*Approximately 50 years leasehold/usufruct submarket

Source: Knight Frank, REIDIN

Abu Dhabi income multiplier map

In focus: Abu Dhabi's affordability

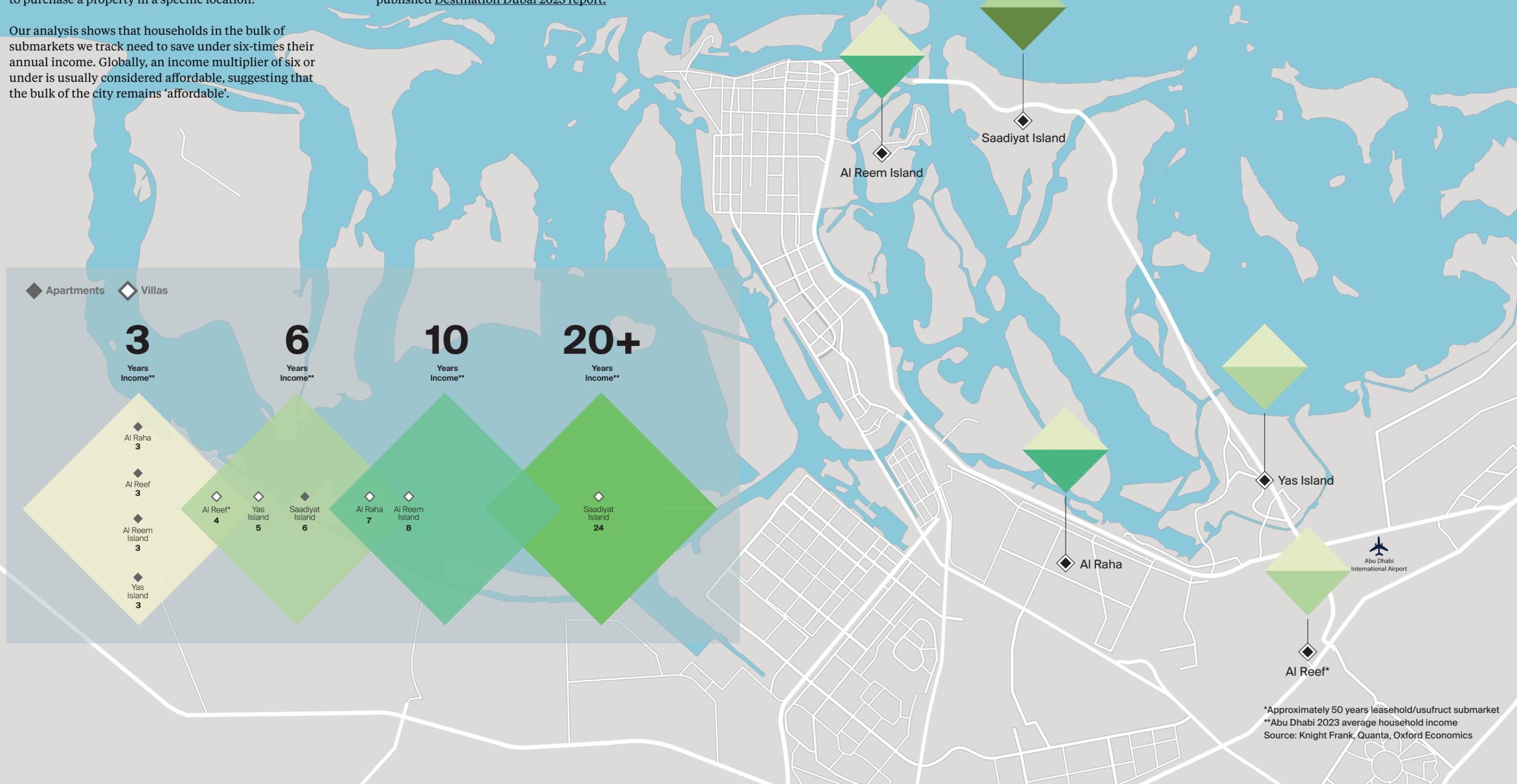
We have analysed the ratio of average income to average house prices across Abu Dhabi, by submarket, to get a better understanding of how affordable the Emirate is, relative to household incomes. In essence, the income multiplier ratio gives an indication of the number of years of annual income households must save to be able to purchase a property in a specific location.

Our analysis shows that households in the bulk of submarkets we track need to save under six-times their annual income. Globally, an income multiplier of six or under is usually considered affordable, suggesting that the bulk of the city remains 'affordable'.

Villas on Saadiyat Island are by far the most expensive, where house prices are over 20 times the average household income. By contrast, the most expensive submarket in Dubai is Jumeirah Bay Island, where the income multiplier stands at 81 times household incomes. You can read more about this in our recently published [Destination Dubai 2023 report](#).

Number of years it takes to purchase an apartment or a villa in each submarket

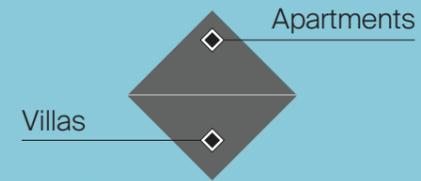
No Data	
0 - 3	
3 - 6	
6 - 10	
10 - 20	
Over 20 years	



*Approximately 50 years leasehold/usufruct submarket
 **Abu Dhabi 2023 average household income
 Source: Knight Frank, Quanta, Oxford Economics

Residential listed prices in Abu Dhabi | Q2 2023

AED psf	
600 - 800	
801 - 1,000	
1,001 - 1,200	
1,201 - 1,400	
1401 - 1,600	
Not applicable	



*Approximately 50 years leasehold/usufruct submarket
Source: Knight Frank, REIDIN

Limited residential development supporting prices

The relative stability in prices across Abu Dhabi's freehold areas is in large part due to the limited number of new homes under construction.

Our estimates show that just 33,700 homes are currently under construction and due to be delivered by the end of 2027, 59% of which are villas. This excludes announced projects that are yet to break ground as well as plot sales to individuals.

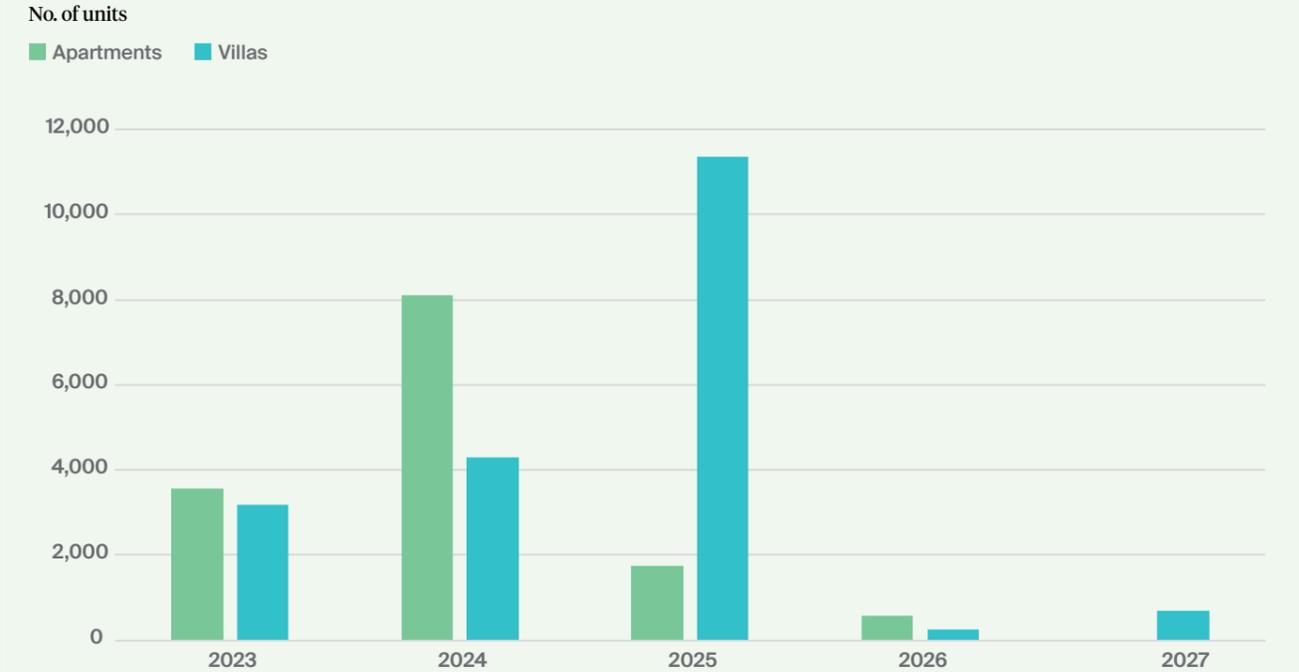
By the end of this year, almost 6,700 homes will be completed and, on average, the market can expect around 6,000 units to be completed each year throughout 2027. This exceeds historical completion levels, considering the past 10 years average completion figure stood at approximately 3,500 units per year.

79% of the villa supply is expected in just four submarkets: Yas Island (7,800 units), Khalifa City (4,500 units), Baniyas North (2,800 units), and Al Reeman development in Al Shamkhah (2,500 units), with the largest single development being Ansam Development phase 2 on Yas Island, which is due to be delivered by Q4 2024.

In terms of apartment stock, Al Reem Island leads the pack with 2,800 units, contributing the lion's share of new supply here. Al Maryah Island is second place with 2,800 units. Saadiyat Island (2,700 units) ranks in third place for new apartment supply. Yas Island (2,600 units) and Masdar City (1,200 units) are ranked in fourth and fifth place, respectively.

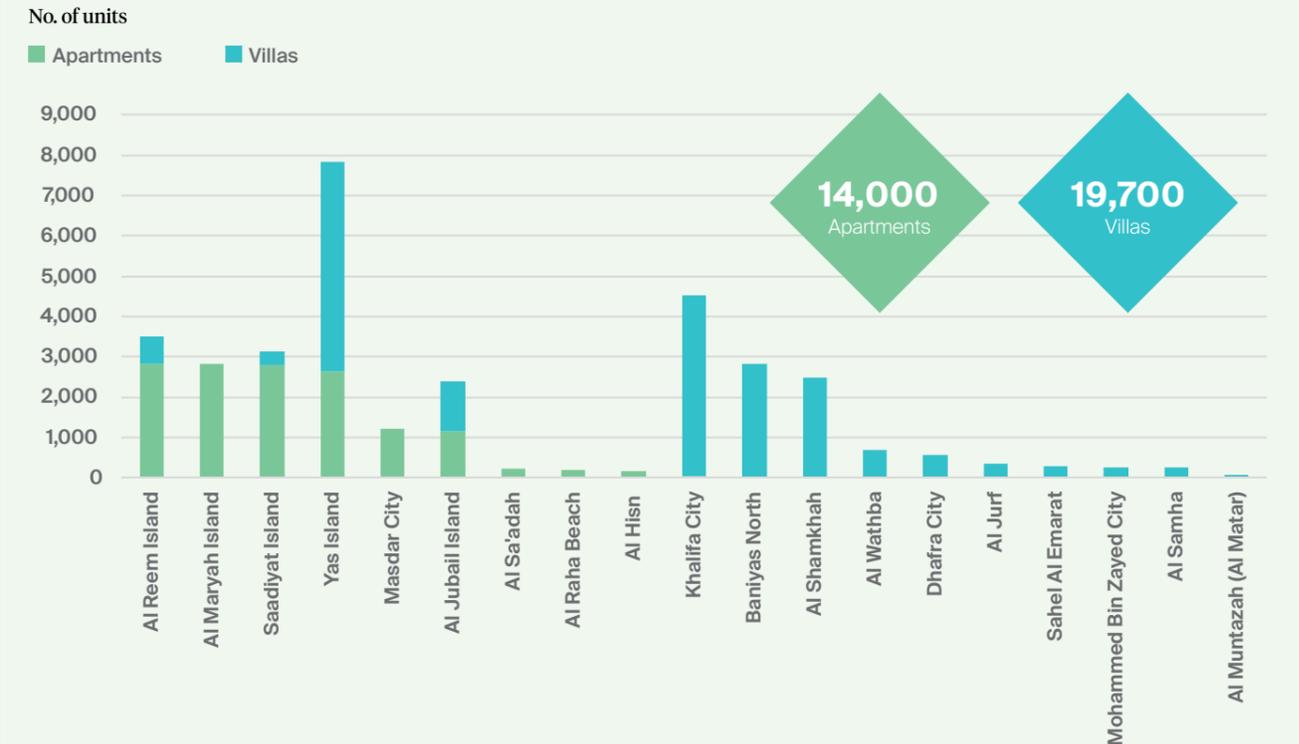


Abu Dhabi - forecast residential supply (2023-2027)



Source: Knight Frank, MEED, Dari

Abu Dhabi residential supply forecast by submarket (2023-2027)



Source: Knight Frank, MEED, Dari

Developers slowly respond to demand

While the overall supply expected in Abu Dhabi appears relatively low, new project launches are gathering pace and the total number of new homes coming to the city is expected to rise rapidly.

We are currently tracking approximately 12,700 units that are still classified as being in their launch stage (but not yet under construction). In addition to the 15 residential projects that were launched in Q1, Q2 saw the unveiling of another 15 residential projects, with the number of villas and apartments released evenly matched at around 6,000 each.

One of the biggest announcements of Q2 was Q Holding's AED 7 billion mixed-used master development which includes 1,500 villas and is expected to be delivered by Q2 2027. The project is located in West Baniyas, Al Samha region.

Other recent villa-only launches include Aldar's Noya villas phases 4 and 5 at Yas Island (849 units) to be completed by Q4 2026.

Separately, notable apartment-only launches for this quarter include Reeman Living 1 and 2 at Al Shamkhah (1,478 units), and the Ramhan Island development's Marina Residences at Jazeerat Ramhan (900 units), both of which are expected to be delivered in 2026 and 2027, respectively.

12,700
launched units
(not yet under construction)



Source: Knight Frank, MEED, Dari

Stable rental market

Abu Dhabi's current average annual residential lease rates stand at AED 60 psf, a 0.4% rise from this time last year.

Apartments have experienced a 0.3% increase since Q1 but are -0.4% lower than last summer. On average, apartment lease rates are still -7.5% below Q1 2020 levels.

In addition, villa lease rates declined by an average of -0.5% in Q2, but notably have recovered to pre-COVID levels and stand, on average, 3.0% above January 2020 levels.

Over the last year, Saadiyat Island (AED 83 psf) and Al Raha Gardens (AED 51 psf) have experienced the sharpest rental increases for villas, which are up by 14% and 3%, respectively, when compared to last summer. Saadiyat Island (AED 83 psf) and Al Raha Beach (AED 67 psf) have experienced the strongest growth in villa rents since January 2020, rising by 32.3% and 18.3%, respectively.



EXPERT INSIGHTS

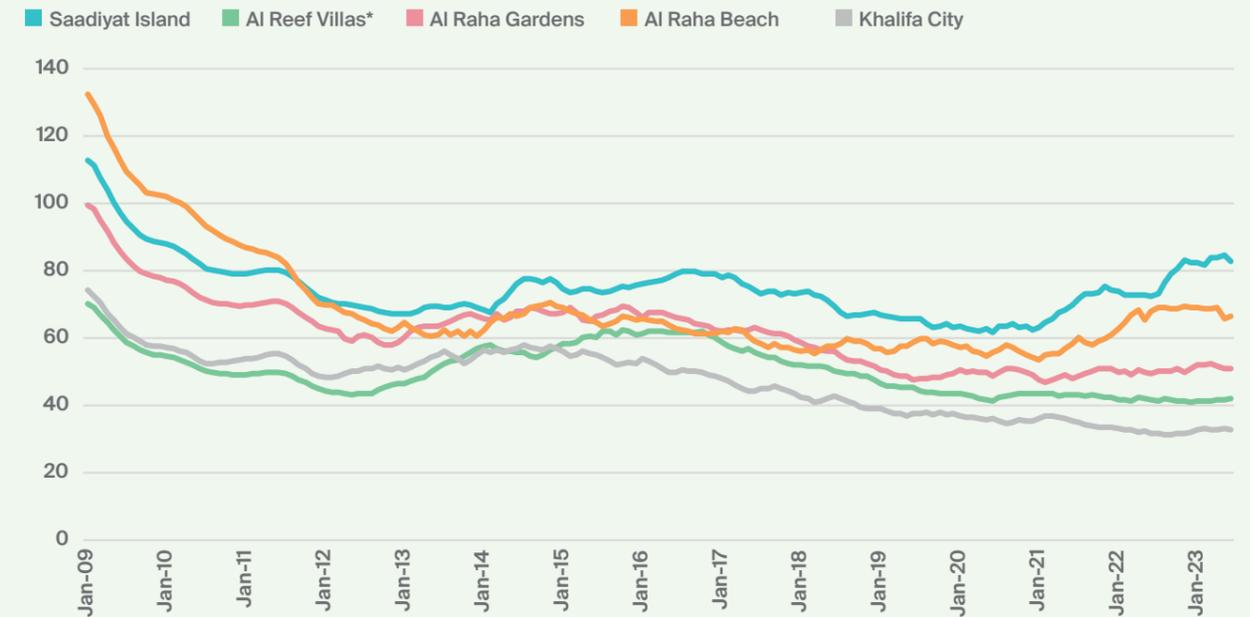
Villas outperform in the leasing market

"While rents in general continue to reduce, villas are a star performing subsector in the leasing market, with a notable upswing in lease rates across Abu Dhabi, with the exception of more affordable submarkets, such as Al Reef Villas and Al Raha Gardens, where annual rents stand at AED 42 psf and AED 51 psf, respectively, where rents have been unchanged over the last 12-months. As is the case in the sales market, tenants are upgrading their rental accommodation where possible which in turn is driving up demand and lease rates for larger apartments and villas, in particular".

Stephen Flanagan, MRICS
Partner, Head of Valuation & Advisory, MENA

Abu Dhabi rental performance (villas)

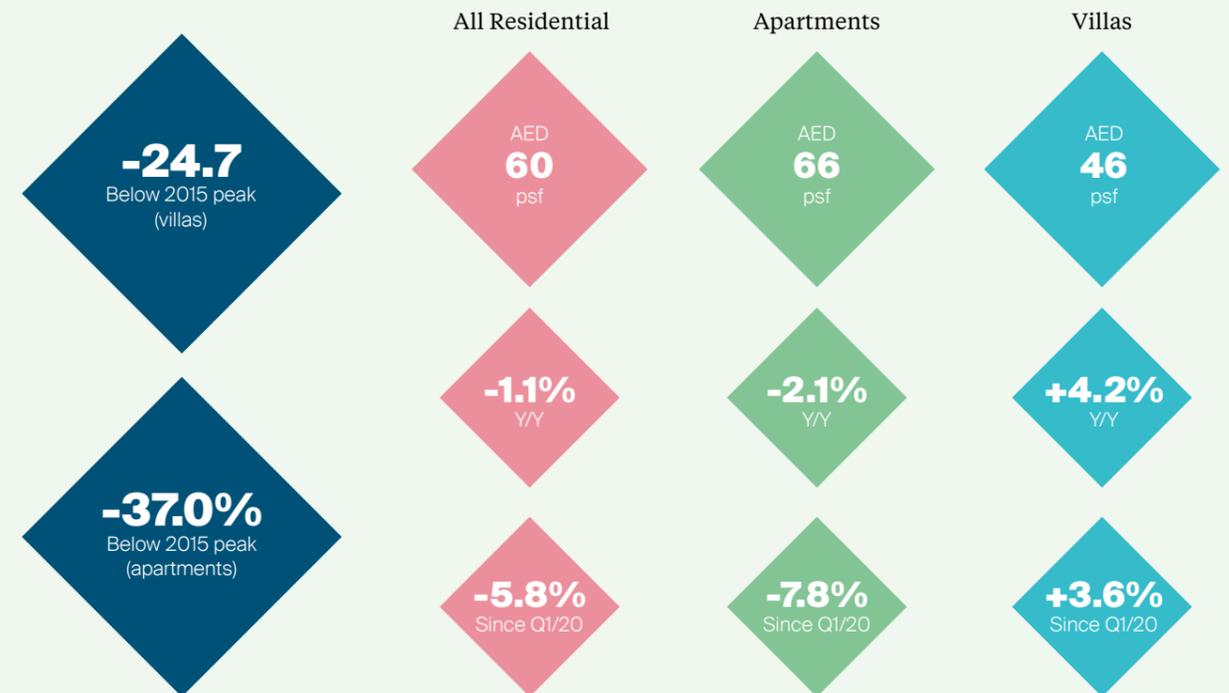
AED/pa.



*Approximately 50 years leasehold/usufruct submarket

Source: Knight Frank, REIDIN

Leasing market performance



Source: Knight Frank, REIDIN

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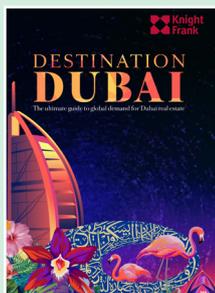
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