
Abu Dhabi Residential Market Review

Winter 2022/23



VALUES RISE FOR FIFTH QUARTER

Residential values across Abu Dhabi rose by 2.1% during Q3, marking the 5th consecutive quarter of price increases, however average prices remain 27.9% below the 2014 peak.

Villas continue to outperform, with values growing by 1.7% in the third quarter to AED 840 psf, leaving them just 2.7% higher than this time last year. This now leaves villa prices 19.7% below the 2014 peak.

Apartments prices also increased during Q3 by 2.1% to AED 1,035 psf. Despite rising by 3% over the last 12-months, apartments still trail the 2014 peak by 27.9%.

POST-PANDEMIC GROWTH PERSISTS

Our analysis shows that the difference in the performance of villa and apartments prices is even more evident when comparing pre- and post-pandemic values. Since Q1 2020, apartments on average have registered a price increase of just 2.1% while villa values have grown by 6.8% over the same period.

The other key driver for the rise in transactional activity is perhaps linked to the fact that values have remained relatively stable for the better part of the last two years, which is instilling confidence in buyers and investors.

Indeed, transactional activity is rising, with the Department of Municipalities and Transport (DMT) reporting 58,290 deals worth AED 13.3bn taking place between January and September.

The preference of larger homes in Abu Dhabi continues to stem mainly from domestic buyers' desire for more space. Households are actively seeking larger homes that allow more space for home offices and home gyms, as well as outdoor space.

Furthermore, supply remains restricted, which we will explore further below.

CASCADING DEMAND

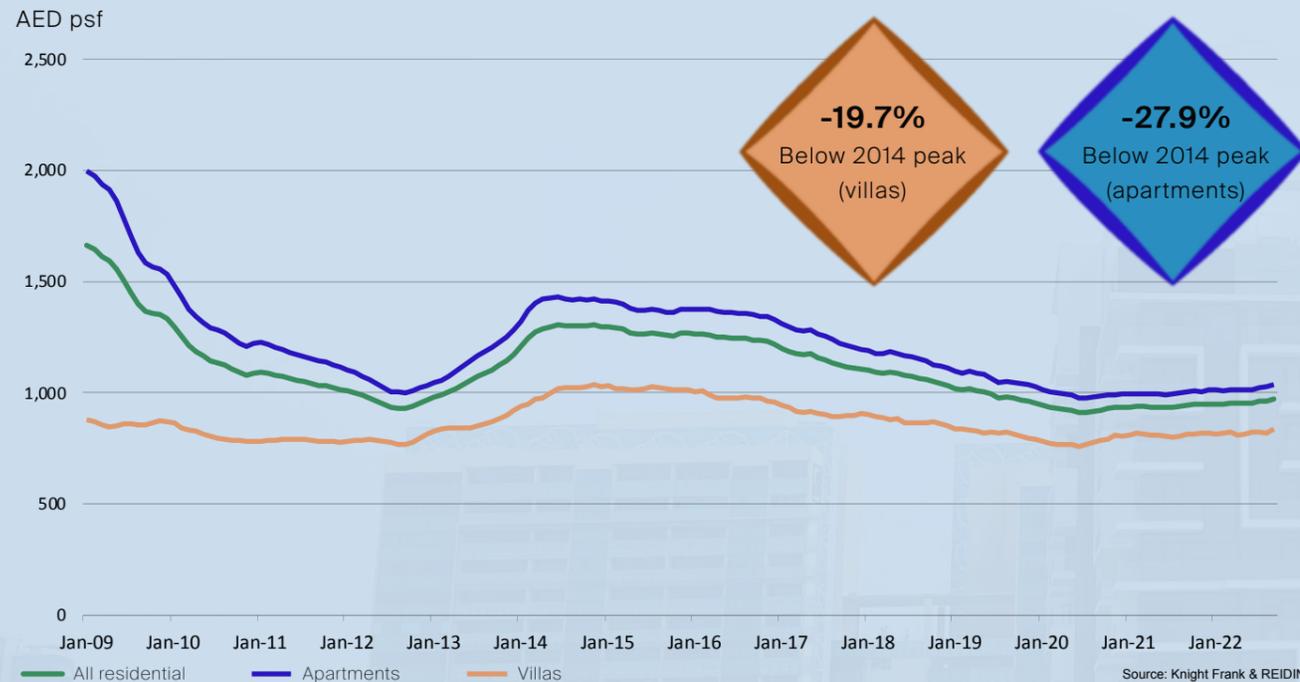
The cascading of demand across the residential market is still evident. Where possible, households are taking advantage of the low-price environment to upgrade their accommodation.

Of course, not all households can afford the transition from an apartment to a villa, so some are opting to upgrade to larger apartments.

Others are upgrading from smaller to larger villas, which is helping to drive the strong performance we are recording in markets like Saadiyat Island. Indeed, villa prices in this submarket is up 18.8% in the last 12 months.

“Households are taking advantage of the low-price environment to upgrade their accommodation.”

AVERAGE TRANSACTED VALUES



AVERAGE TRANSACTED VALUES SINCE THE START OF THE PANDEMIC



AFFORDABLE AND LUXURY VILLAS IN HIGH DEMAND

While residential values across the board continue to rise, the strongest growth rates are being experienced at the top end of the market.

Apartment rates per square foot on Al Raha Beach are 3.7% higher than they were in Q1 2020. Similarly, Reem Island too has registered a 4% rise since the start of the pandemic.

More affordable areas, like Al Reef Downtown (AED 650psf), are still struggling to recover to pre-COVID rates.

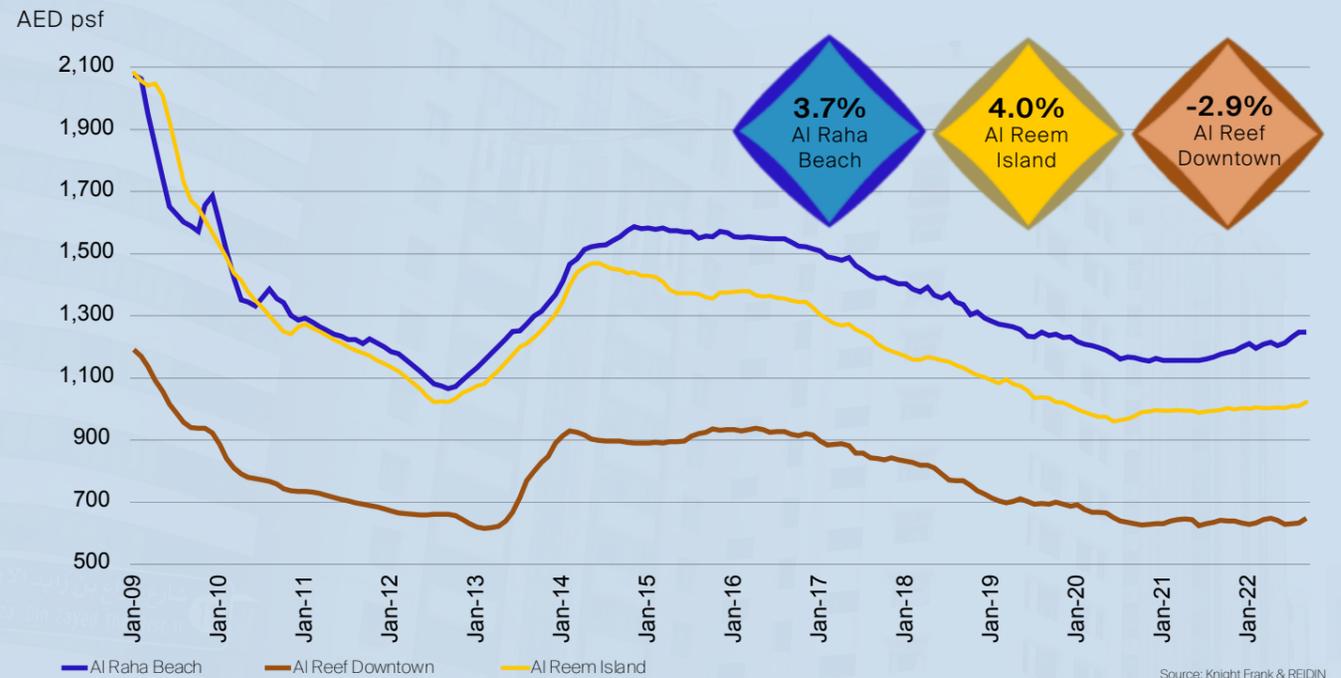
Villa prices tell a slightly different story, with the top and the bottom of the market experiencing the sharpest increases.

Villas on Saadiyat Island (c. AED 1,680 psf), for example, have experienced an average price increase of 18.8% in the last 12 months and a 24.7% since the onset of the pandemic.

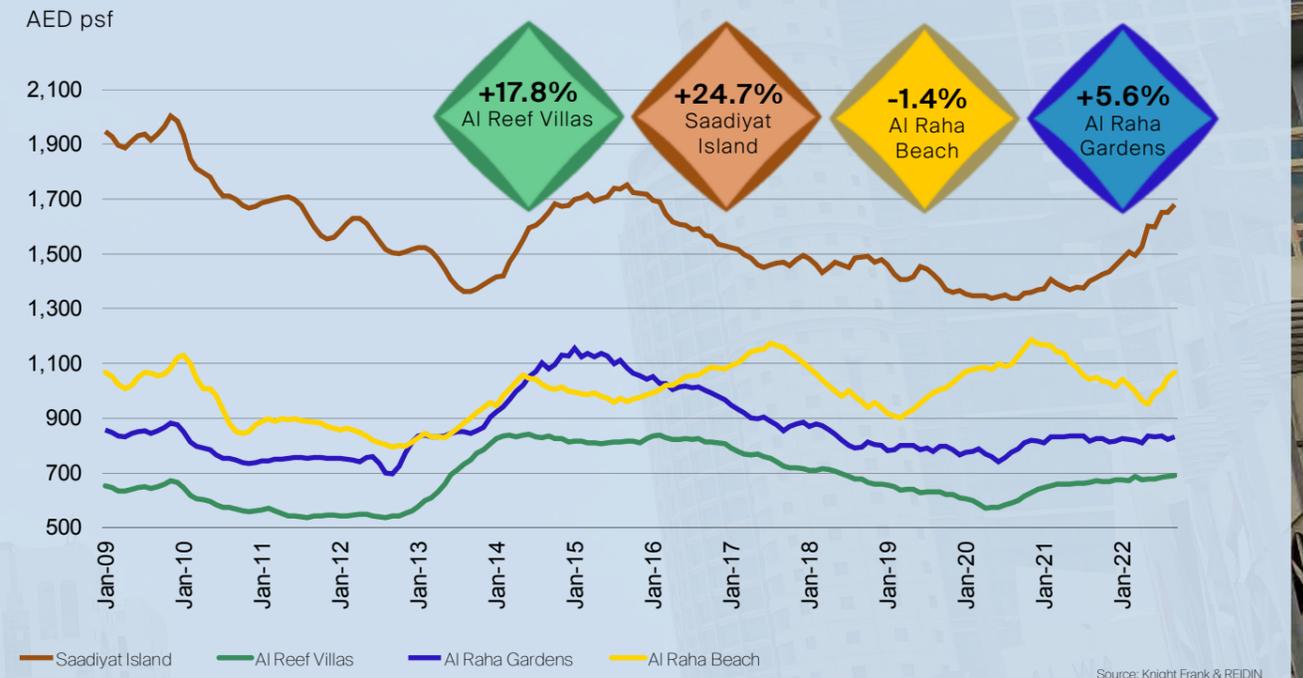
Similarly, Al Reef Villas (c. AED 690 psf) have seen prices grow by over 17% since the start of the pandemic. In part, this unusual behaviour is due to households upgrading, where possible, with the middle of the market languishing.

“Affordable and luxury villas are experiencing the sharpest price increases.”

ABU DHABI PRICE PERFORMANCE (APARTMENTS)



ABU DHABI PRICE PERFORMANCE (VILLAS)



ABU DHABI DEVELOPERS RESPOND TO DEMAND

In response to rising prices and the improvement in demand for more affordable and luxury villas, developers such as Aldar Properties and Reem Hills Properties have in recent weeks announced new projects that will together add 5,900 homes, 72% of which are villas, to the city's residential stock.

Examples of recent success include Aldar Properties' sell-out Yas Park Gate (508 villas), for AED 1.1 bn. Emirati nationals (85%) accounted for the bulk of purchasers, while non-resident buyers (10%) and expatriates (5%) drove just 15% of sales. Construction is yet to commence in the first quarter of 2023.

For the time being, factoring only projects that are under construction and excluding project announcements and individual land plot sales that may result in additional residential inventory, we estimate there are around 15,000 homes under construction and due to be delivered by 2026. Of this total supply, 6,300, or 72% of these units are villas and 8,700 are apartments.

80% of the supply is expected in just four submarkets: Yas Island (5,165 units), Al Reem Island (2,980 units), Khalifa City (2,024 units) and Al Saadiyat Island (1,702 units).

In terms of villa stock, Yas Island leads the pack with 2,459 units, followed by Al Jubail Island (730 units), Al Reem Island (678 units), Al Saadiyat Island (669 units) and Zayed City (662 units).

RECENT PROJECT ANNOUNCEMENTS

1. Louvre Abu Dhabi Residences

Located within Saadiyat Grove, Louvre Abu Dhabi Residences will consist of 400 apartments – a mix of studios, one, two and three bedrooms as well as five penthouses. Completion is expected in 2025.

2. Aldar Saadiyat Island project

Aldar Properties has also announced the acquisition of 6.2 million sqm of land on Saadiyat Island as part of its plans to develop a mega mixed-use project. The integrated community will include about 2,700 residential units, most of which are villas. The project is due for completion in 2026.

3. Reem Hills

Reem Hills is a new man-made hill-side development and is being developed by Q properties on Reem Island. The project will include approximately 680 villas

4. Jubail Island

Situated between Abu Dhabi's Saadiyat Island and Yas Island, Jubail Island is set to become an upmarket residential community. The 4,500-hectare island will host 240 apartments and approximately 730 villas and set for completion in Q4 2023.

5. Pixel

Imkan Properties, a subsidiary of Abu Dhabi Capital Group, has announced the launch of Pixel on Reem Island (524 apartments), Nudra on Saadiyat Island (32 villas) and the first phase of Al Jurf Gardens, its "Riviera" project on the coast between Abu Dhabi and Dubai.

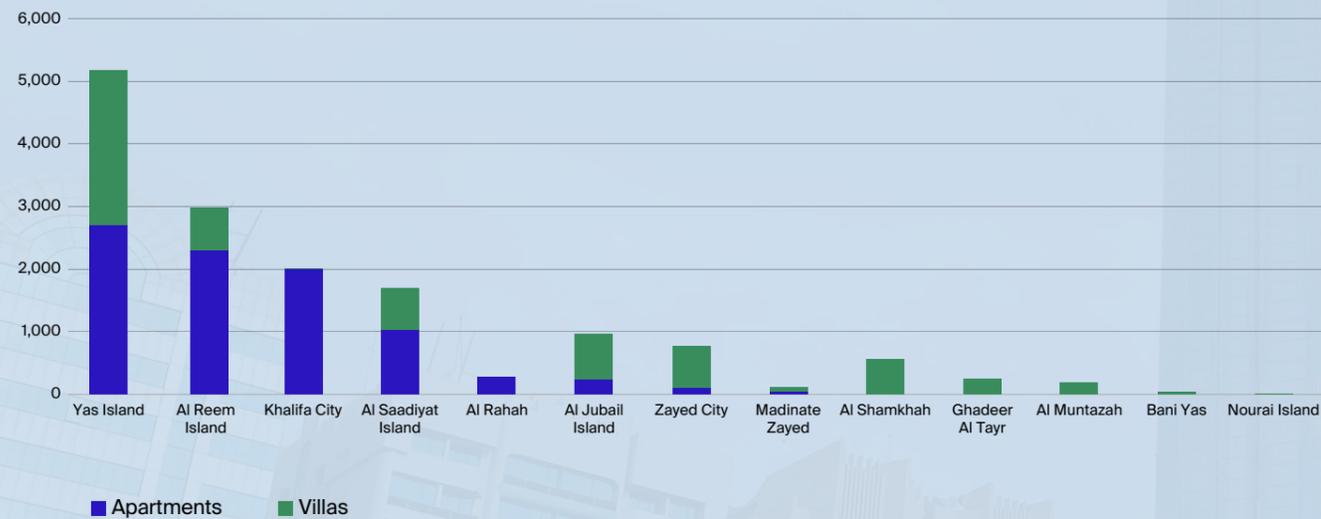
The first phase of Al Jurf Gardens comprises of 240 villas is due for completion by mid-2023.

6. Nobu Branded Residences

Aldar Properties has entered an exclusive partnership with Nobu Hospitality to launch a new five-star Luxury hotel and the first branded Nobu residences in the Middle East and the second worldwide. The new development is expected to open in 2026 at Abu Dhabi's upmarket Mamsha Al Saadiyat.

ABU DHABI'S SUPPLY PIPELINE

No. of Units



Source: Knight Frank & Dari

LEASE RATES SLIP

The capital's current average rents for all residential stand at AED 59 psf. Apartments (-0.3%) and villas (-1.3%) have both experienced a year-on-year decline in rents.

Villa lease rates have however recovered to pre-COVID levels, hinting at an affordability ceiling that may have been reached. Apartments rents are still 7.3% below January 2020 levels.

At a submarket level, the middle of the apartment market appears to be holding up the best, with lease rates on Al Reem Island (AED 66 psf) rising by over 2% over the last 12 months; however, average lease rates are still -5.3% below Q1 2020 levels.

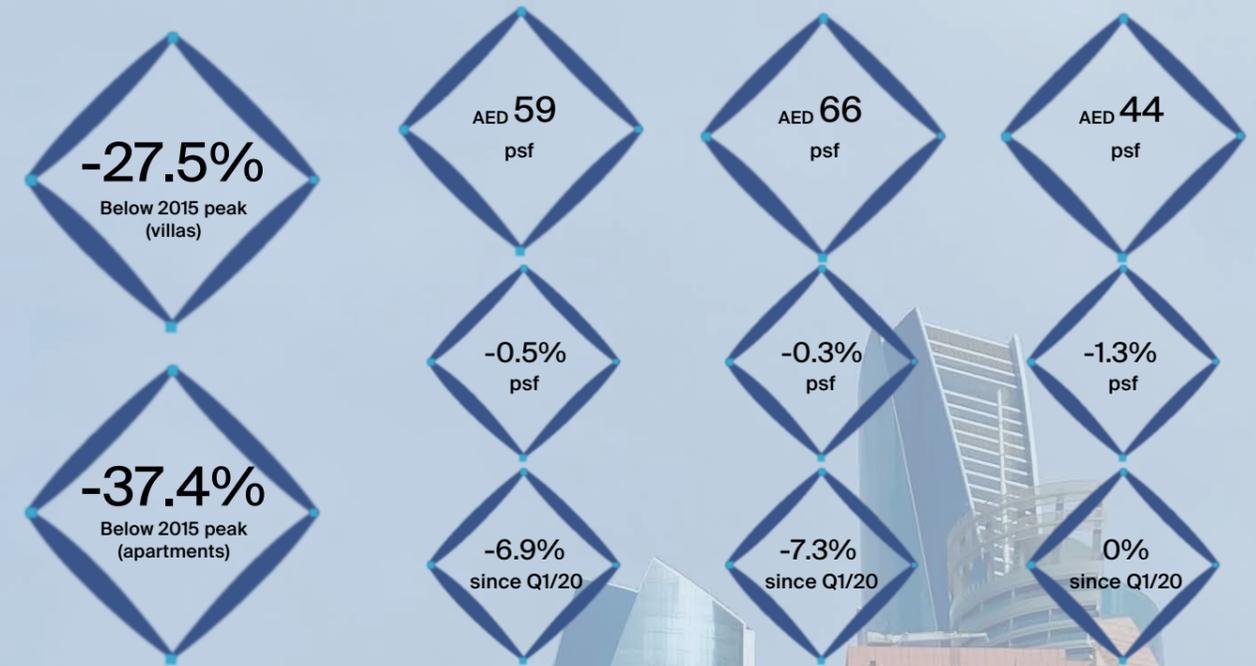
In contrast, mid-market and luxury villa rents are on the rise.

Al Raha Beach (AED 70 psf) and Saadiyat Island (AED 79 psf) have experienced the strongest growth in rents since the pandemic began, rising by 22.6% and 26.5%, respectively.

Even when compared to a year ago, these two locations have witnessed the steepest rent rises, with villas on Al Raha Beach increasing by 18.8%, while Saadiyat Island villas are now renting for 7.9% more than this time in 2021.

As is the case in the sales market, tenants are using the relative stability in rents to upgrade where possible, which is resulting in diminished demand for more affordable locations, which are experiencing the steepest rent falls.

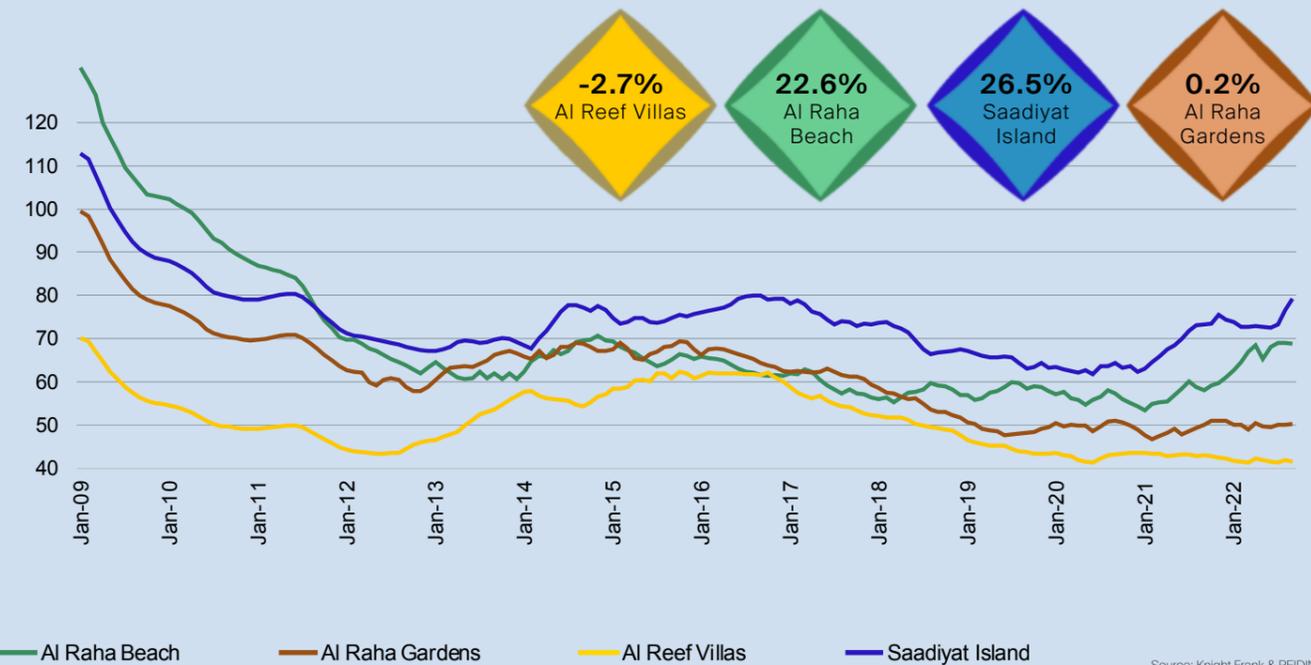
LEASING MARKET



Source: Knight Frank & REIDIN

ABU DHABI RENTAL RATES (VILLAS)

AED psf



Source: Knight Frank & REIDIN

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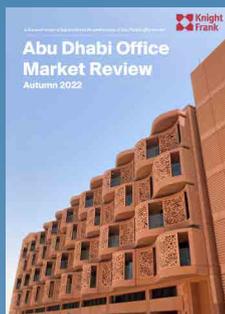
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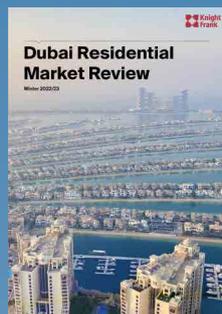
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