

PRIVATE CAPITAL OUTLOOK

INSIGHTS INTO UHNWI REAL ESTATE DEMAND AND INVESTMENTS

Welcome to this special review of Middle East private capital attitudes.

Complementing our 2023 Wealth Report, below we provide a more localised view of wealth trends amongst Middle East UHNWI through the lens of our annual Attitudes Survey.

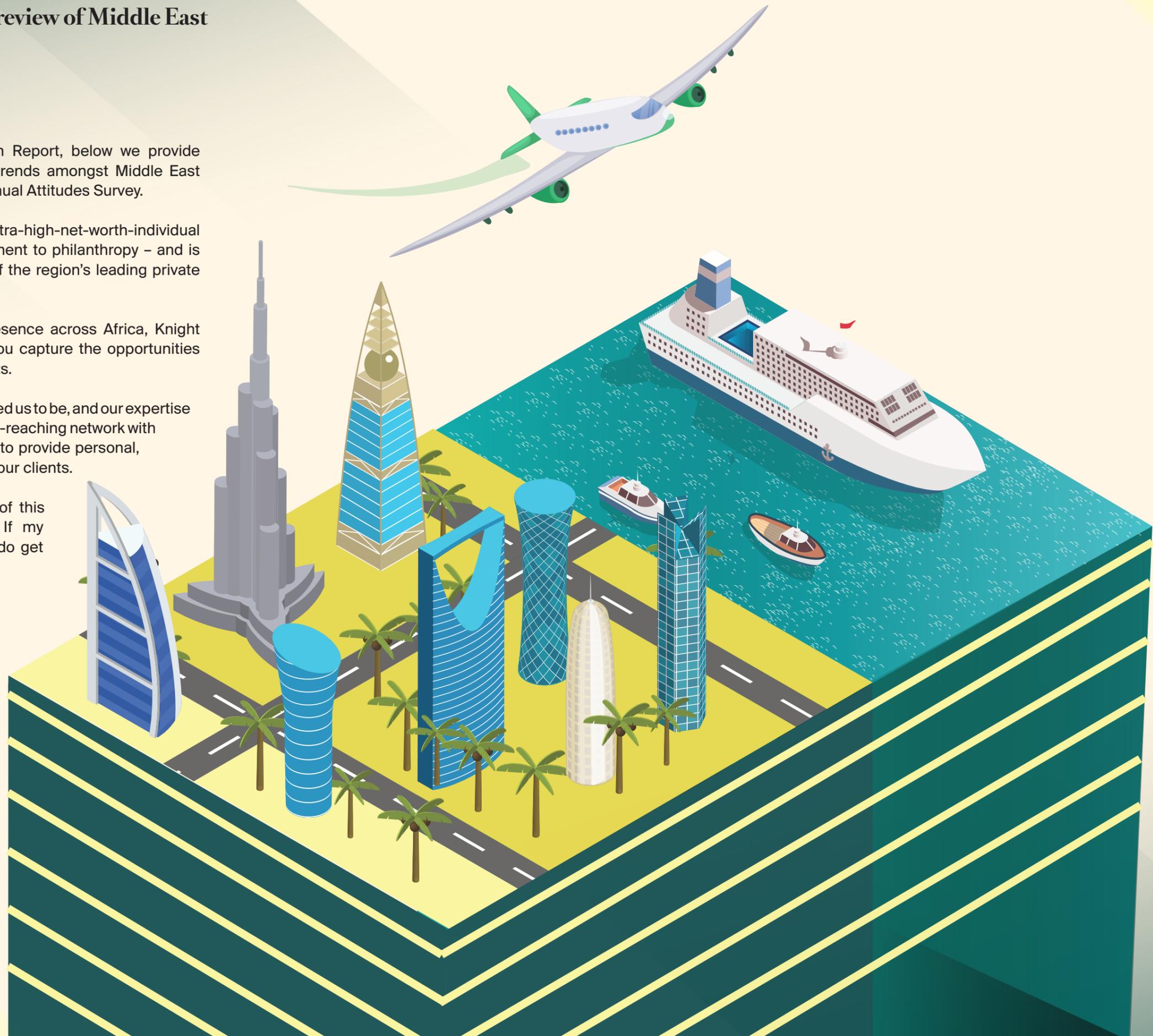
The survey covers all aspects of ultra-high-net-worth-individual (UHNWI) behaviour – from investment to philanthropy – and is based on responses from many of the region’s leading private bankers and wealth advisors.

Through our long-established presence across Africa, Knight Frank is well positioned to help you capture the opportunities that this exciting continent presents.

We operate wherever our clients need us to be, and our expertise spans the globe, connecting our far-reaching network with our local expertise. This allows us to provide personal, consistent, and discreet advice to our clients.

I do hope you find the contents of this report interesting and valuable. If my team can be of any help, please do get in touch.

JAMES LEWIS
Managing Director
Middle East & Africa



INTRODUCTION

ECONOMIC POWER HOUSES

The region's real estate markets have come alive in the wake of the pandemic, which has fuelled an economic boom. From Dubai to Riyadh, house prices have risen sharply, while office rents have climbed rapidly as international businesses jostle to be a part of some of the world's fastest growing economies, here in the Gulf. Saudi Arabia's Vision 2030 agenda helped to grow its economy by 8.8% last year – the highest level for any major economy. The UAE was not far behind at 7%.

UHNWI's too have flocked to cities such as Dubai, attracted by the UAE's 'sun, sand and sea' lifestyle, combined with arguably some of the world's most prestigious beach-front real estate. The pro-business mindset of the Emirati authorities has further entrenched the Emirates' attraction to the global wealthy.

RELATIVE VALUE

How much prime residential real estate US\$ 1 million buys (sq ft)



Source: Knight Frank Research, Douglas Elliman, Ken Corporation

PRIME DEMAND

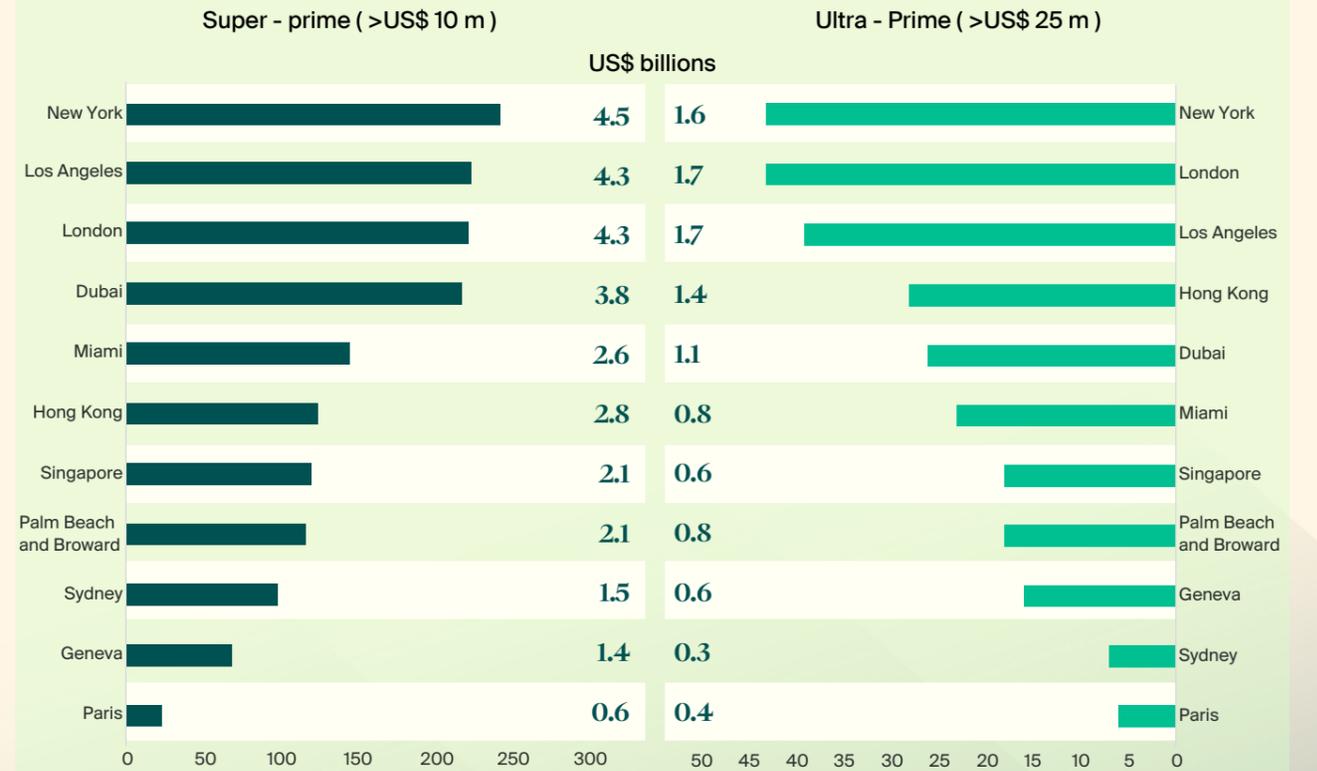
Indeed, the demand for prime residential property has been so immense that Dubai experienced a record 44% hike in prime home prices last year – the highest level globally. Furthermore, with 219 ultra-prime home sales, i.e., homes priced upwards of US\$ 10 million, the emirate set a new record, eclipsing the previous high of 93 set in 2021.

Despite the headlines and market hubris, villa prices in Dubai remain some 5% below the last market peak in 2014, while apartment prices trail 2014 levels by nearly 21%.

So, it is perhaps unsurprising that Dubai remains one of the world most “affordable” luxury home markets, ranking in 16th place among our 20 global prime residential markets.

US\$1 million will today secure 1,130 square feet of residential space in the city's prime districts of the Palm Jumeirah, Emirates Hills, or Jumeirah Bay Island – this is four times more space than New York, London, or Singapore. Monaco remains the world's most expensive destination to own prime residential property, with US\$ 1 million translating into just 183 sq ft.

GLOBAL LUXURY HOME SALES 2022

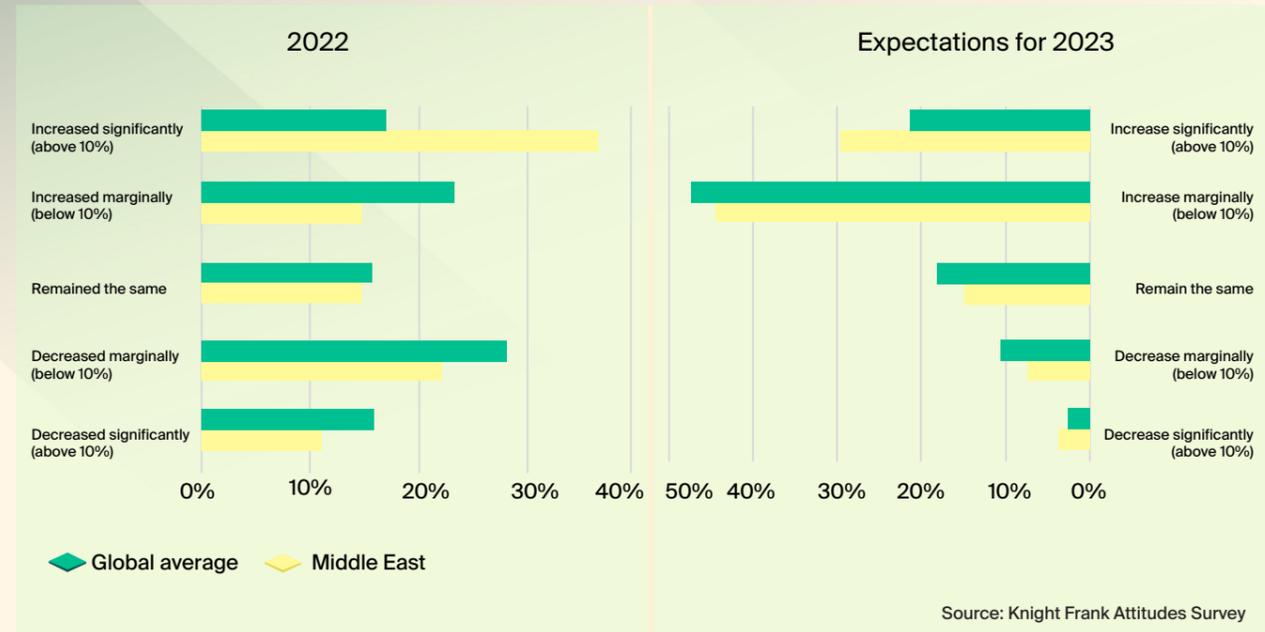


Sources: Knight Frank, Douglas Elliman, Naef Prestige, HM Land Registry, LonRes, REIDIN

CHANGE IN WEALTH

2022 proved to be a good year for equity investors. 37% of Middle East UHNWI declared a significant increase in their total wealth during 2022 (>10%), outpacing their global counterparts.

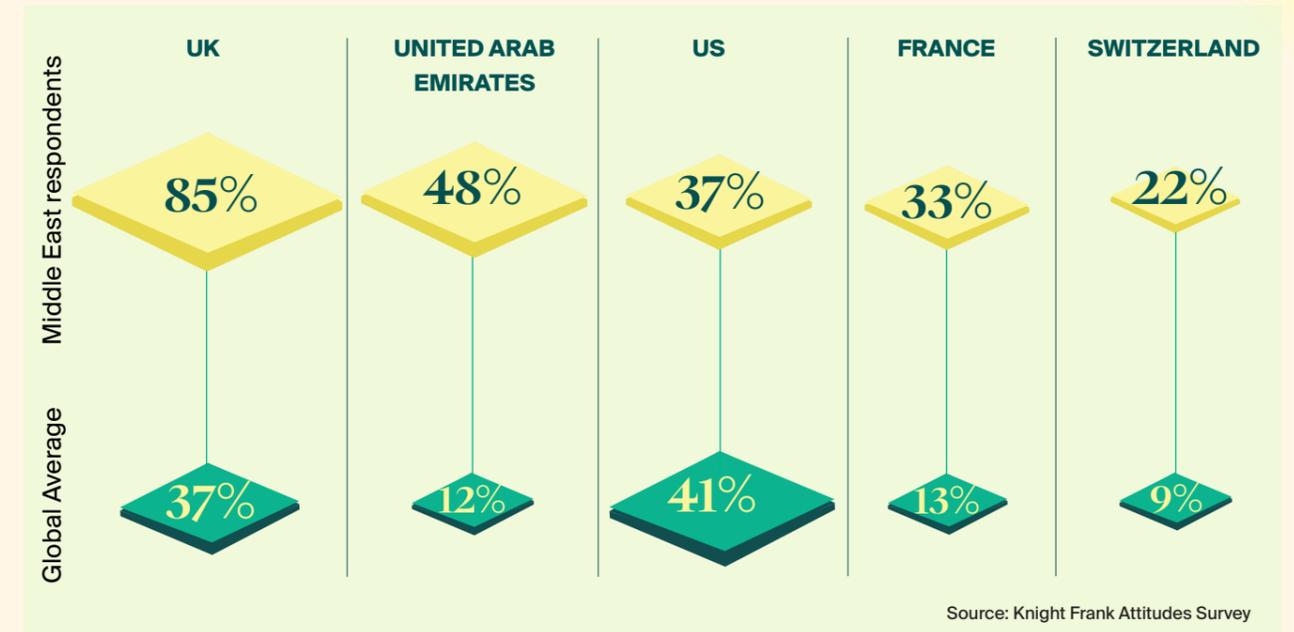
During 2023, 47% of global UHNWI expect a marginal increase in their total wealth in 2023 (<10%)



MOST POPULAR GLOBAL RESIDENTIAL TARGET LOCATIONS

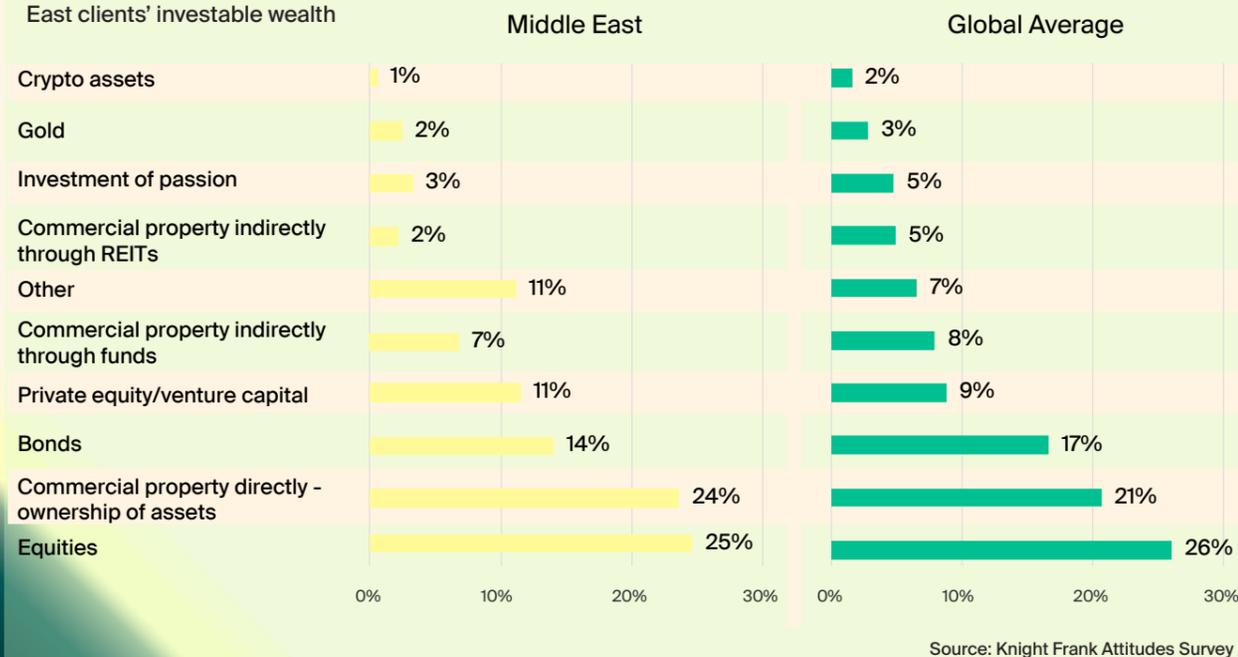
Out of the top five most preferred destinations, UK ranks the highest with 85% of our Middle Eastern client base choosing the UK for residential real estate investment.

The UK ranks as the most popular global residential investment destination for Middle East UHNWI, with the UAE following in second place. The US ranks as the third most likely target.



ATTITUDES

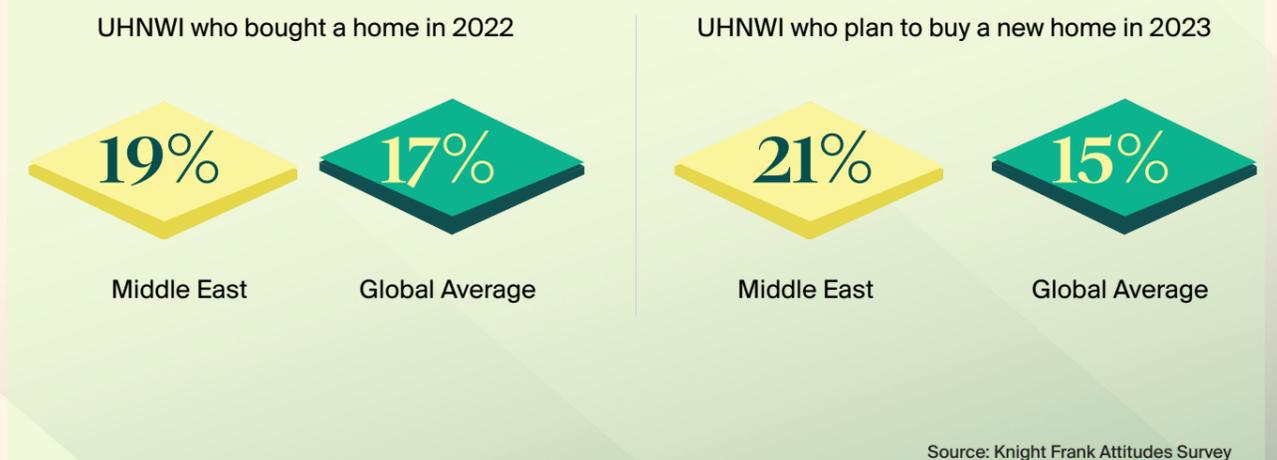
Equities make up 25% of our Middle East clients' investable wealth



HOME PURCHASE TRENDS

At 5.3 homes, Middle East UHNWI have the highest number of homes compared to their global peers (4.2 homes).

This apparent strong desire to hold multiple global homes is also reflected in the fact that 21% of Middle East UHNWI plan to buy a home in 2023 - this is above the global UHNWI average of 15%.



ALTERNATIVE SECTORS

When it comes to sectors beyond the residential sector, Middle East UHNWI have a strong preference for investing in commercial real estate this year, specifically offices (41%) and logistics and industrial (41%).

This is higher than global UHNWI (33%), although they too favour these two alternative sectors above other options in 2023.

MIDDLE EAST	GLOBAL AVERAGE	SECTORS	MIDDLE EAST	GLOBAL AVERAGE
2022			2023	
59%	36%	Hotels and leisure	41%	31%
41%	40%	Logistics and industrial	41%	33%
63%	43%	Offices	41%	33%
37%	37%	Residential private rented sector (PRS)	37%	32%
30%	33%	Healthcare	30%	35%
33%	22%	Student housing	30%	17%
37%	39%	Retail	22%	27%
19%	26%	Development land	15%	24%
15%	17%	Agricultural	15%	15%
19%	14%	Lifesciences	15%	15%
4%	17%	Retirement	11%	20%
15%	15%	Data centres	11%	15%
19%	15%	Education	7%	11%

Source: Knight Frank Attitudes Survey

25% OF OUR MIDDLE EAST CLIENTS PLAN TO INVEST DIRECTLY IN COMMERCIAL REAL ESTATE DURING 2023.

ESG ATTITUDES

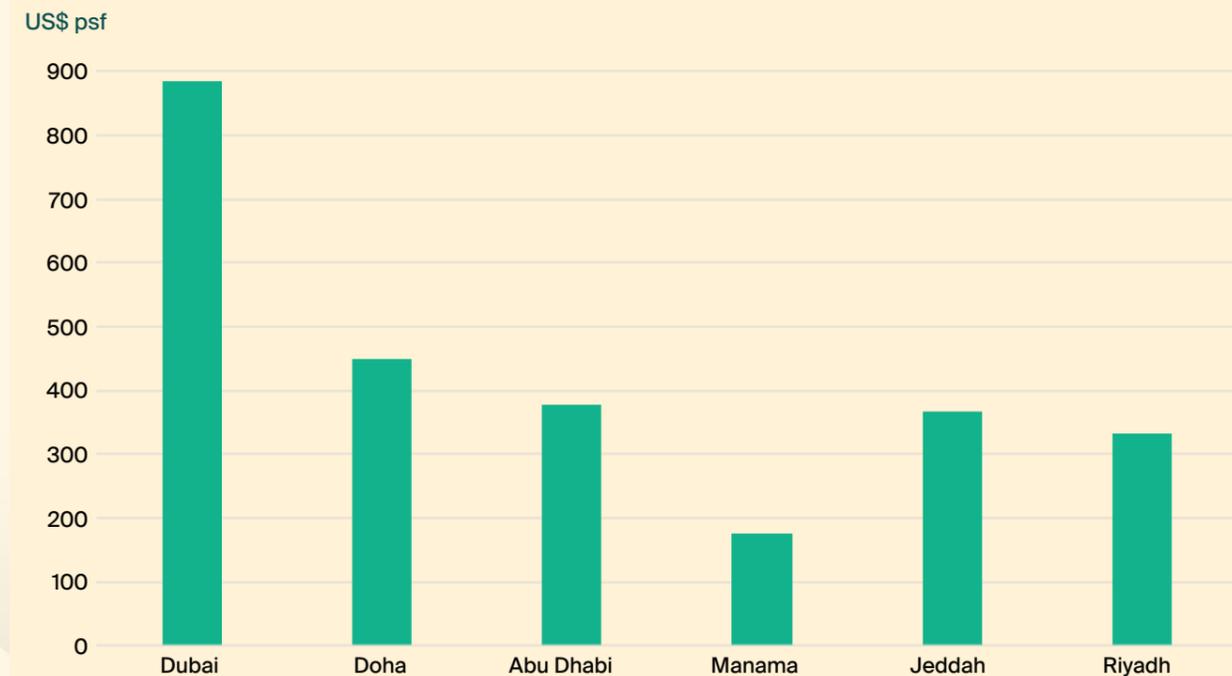
While still an emerging consideration across the Middle East, the region's UHNWI are growing increasingly aware of the importance of ESG issues and the impact it can have on the performance of real estate investments.

Below we take a closer look at what ESG factors most resonate with Middle East UHNWI.



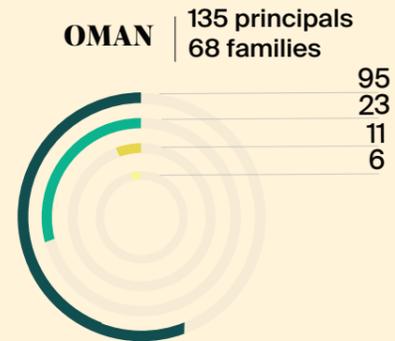
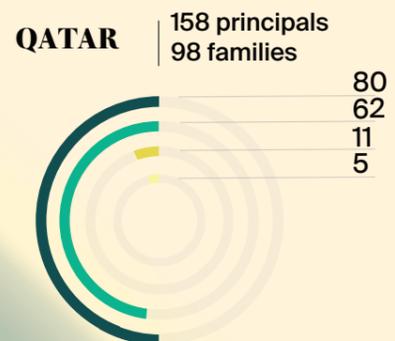
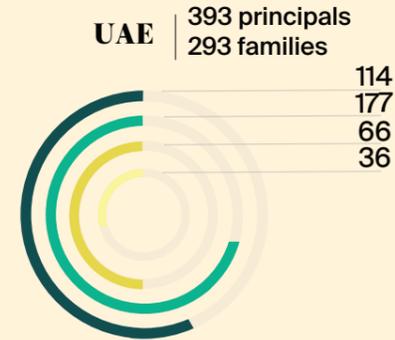
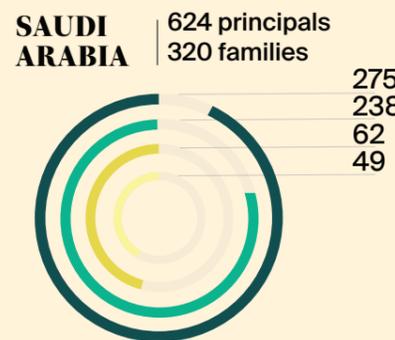
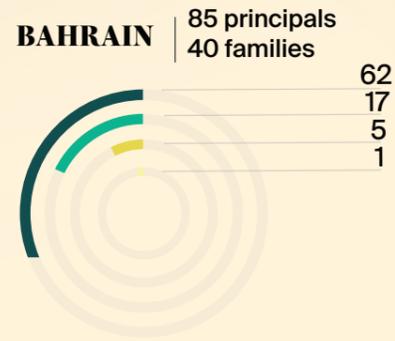
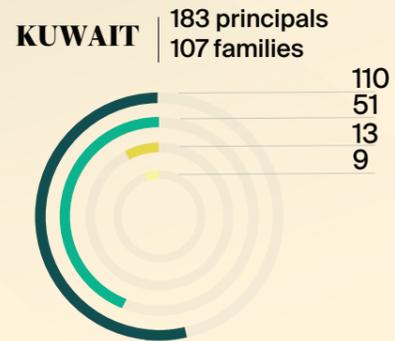
Source: Knight Frank Attitudes Survey

PRIME RESIDENTIAL VALUES AROUND THE MIDDLE EAST

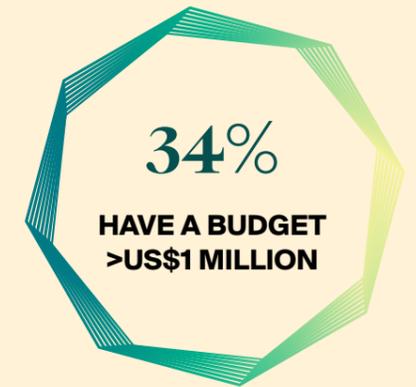


Source: Knight Frank

OUR ACCESS TO US\$ 295 BN OF GCC WEALTH AND INTELLIGENCE



GCC HNWI VIEWS ON SAUDI INVESTMENT



Source: Knight Frank, YouGov

CONTACTS

HENRY FAUN, MRICS

Partner, Private Office
Henry.Faun@knightfrank.com
+971 56 1102 407

ANDREW CUMMINGS

Partner - Head of Prime Residential, Middle East
Andrew.Cummings@me.knightfrank.com
+971 56 1224 229

DEAN FOLEY

Associate Partner - Residential Project Sales & Marketing
Dean.Foley@me.knightfrank.com
+971 50 1060 784

STEPHEN FLANAGAN

Partner - Head of Valuation & Advisory
Stephen.Flanagan@me.knightfrank.com
+971 50 8133 402

SHEHZAD JAMAL

Partner - UAE StratCon-Healthcare | Education | Real Estate
Shehzad.Jamal@me.knightfrank.com
+971 56 4101 298

RESEARCH:

FAISAL DURRANI

Partner - Head of Middle East Research
Faisal.Durrani@me.knightfrank.com
+44 7885 997 888

ALAA ALJAROUSHA

Manager - Middle East Research
Alaa.Aljarousha@me.knightfrank.com
+971 56 5489 626

AMAR HUSSAIN

Senior Manager - Middle East Research
Amar.Hussain@me.knightfrank.com
+966 55 2323 036

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39th floor, Media One Office Tower, Al Falak Street, Dubai Media City

