

Q3 2024

Retail market

UAE | Dubai

Trends in Dubai retail estate market

The retail estate market of Dubai demonstrates stable growth, reflecting the key role of this metro area as a global business and tourist centre. Today the United Arab Emirates boasts a substantial potential for the growth and development of both its business undertakings and real estate market, which is corroborated by an increase in the number of both local and international companies as well as the population growth. In recent years the retail estate sector has seen major transformations to keep in lockstep with the changing needs of buyers and new trends caused by changes in the consumer behavior and booming e-commerce.

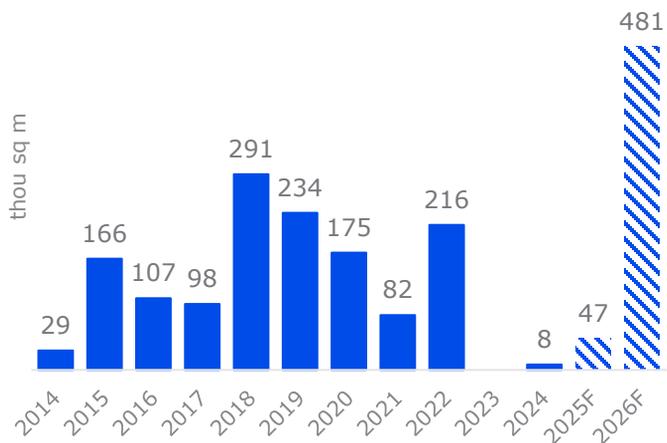


SC reconception as a way of addressing the issue of space shortage

High demand from retailers shape the need for quality retail space. The supply is limited, while the construction of new SCs is a process requiring significant investment of capital and time. This bottleneck on the market causes an acute **shortage of quality retail space** and forces the owners to carry out the **reconception** of the existing projects.

Vibrant construction of new shopping malls got restarted after the pandemic had come to the end. In three years to come **the commissioning** of ca. 567,000 sq m of **new rentable space** is planned in Dubai's SCs.

Dynamics of retail space commissioning in Dubai's SCs, 2014-2027



Source: Nikoliers, REIDIN



Expansion of Russian brands

The UAE market continues to spark **interest among Russian retailers**. Thus, in Q3 2024 news came about at least three new openings in Dubai by Russian brands such as Letoile, Zemskiy Group and Fix Price.

Case studies of openings by Russian retail brands that first entered the Dubai market in Q3 2024

Profile	Brand	Location
Cosmetics and perfumery	Letoile	Dubai Festival City Mall
Catering	The Market Island Food Hall (Zemskiy Group)	
Homewares	Fix Price*	Deira

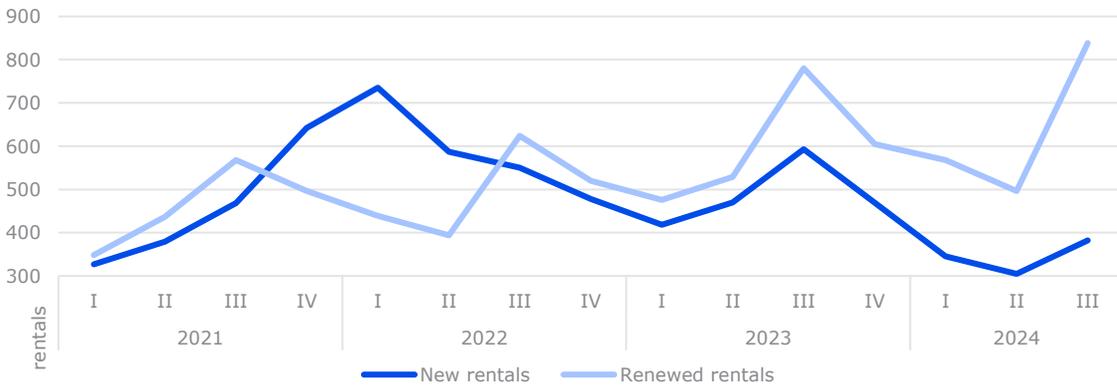
*Only the first point-of-sale is indicated.

Demand

The total of 1,032 new lease agreements were signed for 9 months of 2024 - 30% less than for the similar period last year. This trend has to do with an acute shortage of quality retail space.

Amid the expansion of international brands, the entry of local brands as well as constant delays with the new SC openings, the scarcity of retail space is being generated. The share of renegotiated leases to the current premises amounted to 65% of total transactions for 9 months of 2024.

Dynamics of lease agreements in Dubai's SCs, 2021-2024

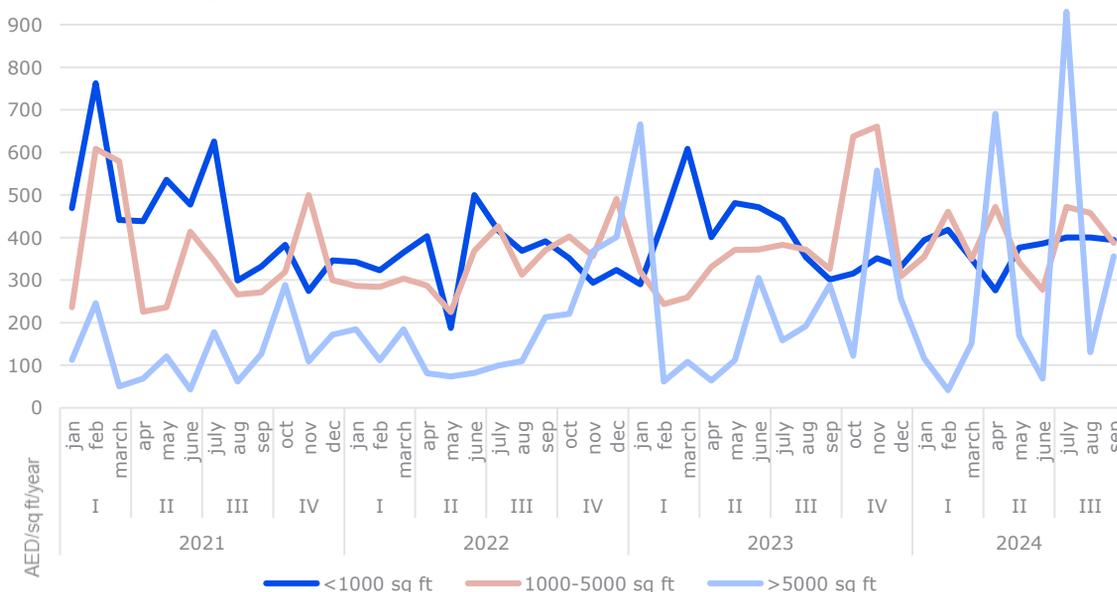


Source: Nikoliers, REIDIN

Rental rates

The growth of rental rates in shopping malls for newly signed lease agreements averaged to more than 25% on the market. This can be explained by the conclusion of numerous transactions at the top-notch malls of the Emirate. For instance, in Dubai Mall and Dubai Hills Mall the rental rates surged by 108% and 34% respectively, as compared to Q3 2023 because of higher demand for said malls and lesser space transacted versus the similar period in 2023. The weighted average rate for new leases with <1000 sq. ft was AED 395/sq. ft/year (USD per sq m per year), with 1000-5000 sq. ft. was AED 388/sq. ft/year (USD 1,137 per sq m per year), and with >5000 sq. ft was 356 AED/sq. ft/year (1,043 USD per sq m per year).

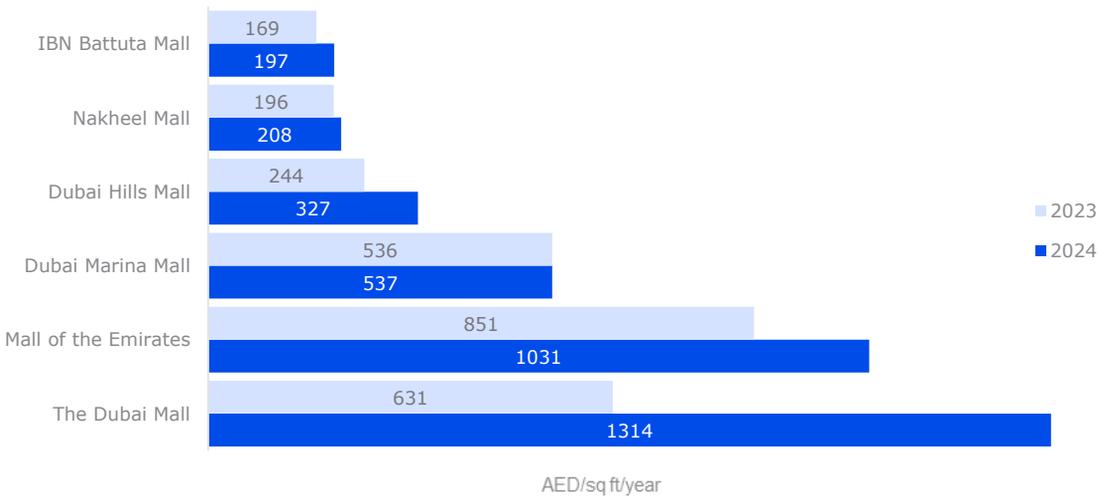
Dynamics of weighted average rental rates on new leases in Dubai's malls, 2021-2024, depending on the rented space



During 9 months of 2024 the highest growth of the weighted average rental rates on new leases in Dubai's shopping malls was to spaces larger than 5,000 sq ft or 465 sq m, which is caused by the conclusion of several major transactions in Mall of the Emirates - one of the Emirate's SCs in highest demand - in April and September, as well as in Dubai Mall in July and September.

The fastest growth of the weighted average rental rate was recorded in Dubai Mall, Dubai Hills Mall and Mall of the Emirates. The weighted average rate for new leases in Dubai Mall amounted to 1,314 AED/sq. ft/year (3 851 USD per sq m per year), in Dubai Hills Mall - 327 AED/sq. ft/year (958 USD per sq m per year), in Mall of the Emirates -1 031 AED/sq. ft/year (3 022 USD per sq m per year).

Weighted average rates on new lease agreements in Dubai's most popular SCs (at the end of Q3 2024 vs the end of Q3 2023)



Source: Nikoliers, REIDIN

Dubai's retail estate market has changed dramatically over the past two years, moving from a «tenant's market» to a «landlord's market». The consequences of the pandemic were quickly overcome and favorable business conditions have contributed not only to the recovery of activity of existing players but also to the entry of new chains and concepts. As a consequence, operators are now faced with rising rental rates and a shortage of suitable premises in the most sought-after shopping malls.

Property owners are becoming more selective in choosing tenants, which is stoking competition for available retail space and will encourage operators to introduce innovative concepts and unique formats that can capture shoppers' attention. Achieving success in an increasingly competitive environment will depend on retailers' ability to adapt and offer unique experiences to their customers.

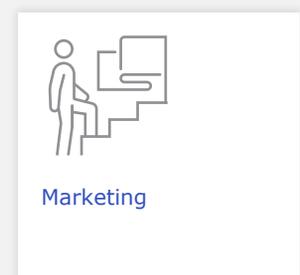
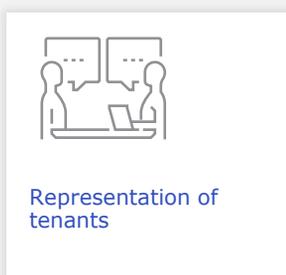
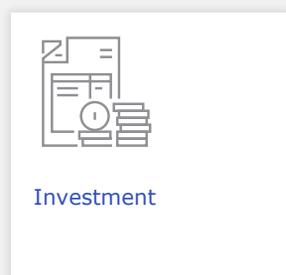
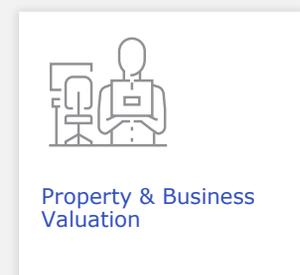
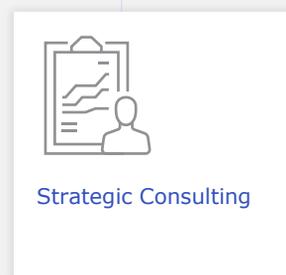
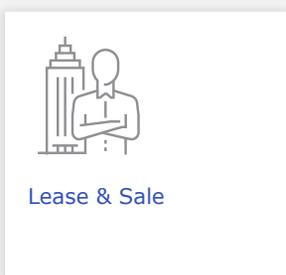
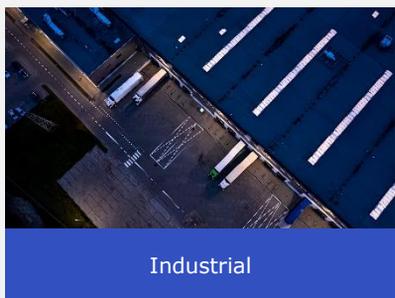
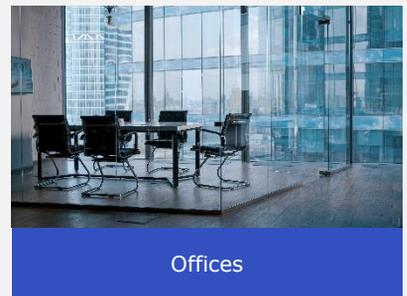
Andrey Kosare
Partner
UAE



Vladimir Kalikin
Chief Commercial Officer
PM



Nikoliers' Services



Contacts

Dubai Office

Andrey Kosarev
Partner

Andrey.Kosarev@nikoliers.com

Retail

Vladimir Kalikin
Chief Commercial Officer

Vladimir.Kalikin@nikoliers.ru

Research

Tatiana Divina
Regional Director

Tatiana.Divina@nikoliers.ru

Daria Vishniakova
Junior Analyst

Daria.Vishniakova@nikoliers.ru

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 **Nikoliers**

123112 Moscow
10 Presnenskaya Embankment
BC Naberezhnaya Tower
Block C, 52 floor