



What's driving the Demand for Luxury Properties in Dubai?

Whitepaper

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Luxury properties in Dubai have been charming the global elites for a long time. This year they have become even more tempting. The city has witnessed an unprecedented rise in the demand for luxury properties and this time the demand is so huge that it has surpassed the market supply which has led developers to increase the prices. Between June 2021 and June 2022, high-end premium properties of all major real estate developers in Dubai are sold out and they are selling the new properties in the secondary market at a premium price.

The colossal rise in the demand for luxury properties in Dubai is very evident from the fact that the vast majority of luxury property owners are [delaying selling homes as a 10% to 15% jump in annual price gains](#) is expected in the prime areas in Dubai. Buyers from across the globe are showing great interest in buying luxury villas for holidays, permanent residences, as well as for investment purposes. In a revolutionary step to attract foreign investors, the Dubai government has reduced the investment amount to get Golden Visa to AED 2 Million from AED 5 Million earlier and has increased the duration of the visa to 10-years from 5 years earlier. This step has boosted the demand for luxury properties in Dubai.

Exponential Rise in the Demand US \$10 Million Properties

2021 was the best year for luxury properties in Dubai. The city welcomed a vast number of the world's millionaires who moved to Dubai to avoid lockdowns and bought premium properties to operate their businesses and spend safe and quality time away from their home country. The investors showed a keen interest in buying larger & spacious properties with more bedrooms to prepare for any future lockdown and Covid-related restriction phase. *The April 2022 report by [Knight Frank](#) titled - 'Dubai Ultra-Prime home sales hit new record'* reveals that the demand for **over USD 10 million** properties reached **93** which was higher than the total of all sales between 2016 to 2020. The year 2021 accounted for **39%** of all US\$ 10 million in home sales in Dubai which was the highest figure since 2010.

The year 2022 also started on a very positive note with an exponential rise in the sales of **over USD 10 million** properties. The first quarter of the current year (**Q1, 2022**) witnessed sales of **30 properties over USD 10 million**. The trend continued in the **second quarter of the current year (Q2, 2022)** as well. According to the latest report by [Morgans Realty](#) titled - '[Dubai Real Estate Market Q2, 2022](#)', the performance of Dubai's residential luxury property (AED 10 million and above) and ultra-luxury property (USD 10 million and above) segments is reflecting the increase in millionaire migration to the city. The number of transactions above AED 10 AED million increased by **113 %** year over year, while the value of these transactions jumped by **141 %**. The ultra-luxury property segment grew by **28 %** annually and by **50%** quarter over quarter.

Most expensive Luxury Properties Sold Since 2021

- [A 33,000 square foot luxury mansion on the Palm Jumeirah was sold for Dh280 million](#) to an unnamed buyer. This broke the 2015 record for the most expensive villa sold for **Dh185 million**.
- An [apartment was sold in Burj Khalifa Zone 4, Downtown Dubai, for Dh73 million](#) during the first quarter of 2022.
- An [apartment in Dorchester Collection Dubai in Business Bay sold for Dh69 million](#).
- The [Royal Atlantis Resort and Residences in The Palm Jumeirah](#) sold a premium apartment for **Dh63 million**.
- [Luxury apartments in W Residences Dubai and Serenia Residences Building B, at The Palm Jumeirah, were sold for Dh57 million and Dh50 million, respectively.](#)
- [A premium villa on Bulgari Resort at Jumeirah Bay Island was sold for Dh87.5 million](#) in July 2021.
- [Another villa was sold for Dh30 million in Island 2](#)

Impact of Rising Demand on Residential Values

The same April 2022 [report](#) by Knight Frank reveals that due to this exponential rise in the demand for premium properties the average residential values climbed **9.2%**, with villas showing a substantial increase of **21.2%**.

[Another research by Zoom Property Insights](#) reveals there was a surge of **35.1%** per sq. ft. in the luxury property market, especially in prime locations like - **The Palm Jumeirah, Dubai Hills, District 1, and Jumeirah Bay.**

Top Reasons for Rising Demand for Luxury Properties

Some of the top reasons for the rising demand for luxury properties in Dubai are as follows -

1 Rise in HNWI Moving to Dubai

Since the dawn of Covid-19, there has been an influx of High-Net worth Individuals (HNWI) who have bought luxury properties in Dubai for residence, leisure, and investment purposes. Better handling of Covid-19 by the UAE has attracted several billionaires to start their businesses in Dubai.

The 2021 report by CS Global Partners titled - '[How Dubai is bringing back the wealthy](#)' states 'Dubai's population of HNWIs rose to **54,000** in June 2021, up by 3.8 % from **52,000** in December 2020. The number of multi-millionaires increased to 2480 from 2430, while centi-millionaires amplified to **165**, up by **8.5%** from **152**.' Most of these HNWI buying luxury residential properties are from [India, Russia, Switzerland, and Monaco](#). The 2021 article by [Forbes Magazine](#) titled - '[Why the World's Wealthy Have Quietly Moved to Dubai](#)' reveals that the top reasons behind the wealthy people **flocking to Dubai include** - safety, non-imposition of income taxes, the flexibility of leaders, and their "realism in dealing with the economic repercussions resulting from the pandemic." The above factors have attracted vast numbers of global billionaires who have bought villas for residence as well as for investment which has been the prime reason for an increase in the demand for luxury properties.

According to [Dr. Juerg Steffen](#), CEO of [Henley & Partners](#) - "the 2022 forecast reflects an extremely volatile environment worldwide. [By the end of the year, 88,000 millionaires are expected to have relocated](#) to new countries, **22,000** fewer than in 2019 when 110,000 moved". Experts believe that the UAE will be the biggest beneficiary of this relocation of millionaires and is expected to overtake the most preferred destinations of the rich, such as the US, UK, and Russia by attracting the largest net inflows of millionaires globally in 2022. The UAE is forecasted to witness over **4,000** HNWIs in 2022, which is an increase of **208%** compared to 2019's net inflow of **1,300** and one of its largest on record.

2 Luxury Available at Low-price

Another reason for the exponential rise in the demand for luxury property in Dubai is its low prices which have attracted a vast number of buyers from Europe to buy the property. [The article titled - 'How Much Prime Real Estate Could You Buy for \\$1 Million?'](#) by global online publisher, [Visual Capitalist](#) reveals the amount of luxury residential property space an investor can buy for **USD 1 Million** in 2022 in Dubai is far cheaper compared to the western and Asian cities. **Dubai stands at 18th spot globally** in terms of price per square feet of the prime property.

A USD 1 million can buy 1469 sq. ft. of prime property in Dubai compared to Monaco (157 sq. ft.), Hong Kong (229 sq. ft.), London (329 sq. ft.), New York (358 sq. ft.) Singapore (381 sq. ft.), Geneva (399 sq. ft.), Sydney (446 sq. ft.), Shanghai (452 sq. ft.) Los Angeles (454 sq. ft.), Paris (455 sq. ft.), Beijing (601 sq. ft.), and Tokyo (692 sq. ft.).

City	Country	Square Feet of prime property for \$1 million (USD)
Monaco	Monaco	157
Hong Kong	China	229
London	United Kingdom	329
New York	United States	358
Singapore	Singapore	381
Geneva	Switzerland	399
Sydney	Australia	446
Shanghai	China	452
Los Angeles	United States	454
Paris	France	455

City	Country	Square Feet of prime property for \$1 million (USD)
Beijing	China	601
Tokyo	Japan	692
Berlin	Germany	786
Miami	United States	833
Melbourne	Australia	907
Madrid	Spain	1,136
Mumbai	India	1,164
Dubai	UAE	1,469
Cape Town	South Africa	2,363

(Source: [Visual Capitalist](#))

3 One of the Highest Price Growth among Global Cities

One of the biggest reasons global elites buy luxury property in Dubai is because the city's luxury property has one of the highest capital growth values globally. According to [Prime Global Cities Index - Q1 2022 report](#), Dubai has the fastest rising prime prices in the world in the 12 months to Q1, 2022. The city has been at the pinnacle in terms of **Prime Price Growth** in the first quarter of 2022 with **58.9% between Q1, 2021 and Q1, 2022** which is several folds higher compared to major global cities like **London (2.1%), New York (5.6%), Miami (33.1%), Paris (8.7%), Toronto (24%), Los Angeles (22.8%), San Francisco (23.4%), Tokyo (15.4%), Geneva (7.4%), Berlin (9.4%), and Beijing (7.3%)**.

	CITY	WORLD REGION	12-MONTH % CHANGE (Q1 2021- Q1 2022)	6-MONTH % CHANGE (Q3 2021- Q1 2022)	3-MONTH % CHANGE (Q4 2021- Q1 2022)
1	Dubai	Middle East	58.9%	23.2%	6.8%
2	Miami ^{1,3}	North America	33.1%	13.4%	6.9%
3	Toronto	North America	24.0%	16.0%	6.7%
4	San Francisco ^{1,3}	North America	23.4%	8.1%	6.5%
5	Los Angeles ^{1,3}	North America	22.8%	10.3%	6.0%
6	Seoul	Asia	20.2%	8.3%	1.7%
7	Gold Coast	Australasia	19.3%	11.2%	3.1%
8	Auckland	Australasia	17.6%	6.5%	3.1%
9	Sydney	Australasia	16.0%	8.1%	1.8%
10	Tokyo ²	Asia	15.4%	12.0%	8.4%

	CITY	WORLD REGION	12-MONTH % CHANGE (Q1 2021- Q1 2022)	6-MONTH % CHANGE (Q3 2021- Q1 2022)	3-MONTH % CHANGE (Q4 2021- Q1 2022)
11	Stockholm	Europe	13.2%	8.4%	7.0%
12	Brisbane	Australasia	11.3%	7.7%	1.8%
13	Perth	Australasia	11.0%	3.7%	0.7%
14	Melbourne	Australasia	10.9%	6.3%	2.1%
15	Taipei	Asia	10.1%	3.2%	1.6%
16	Monaco	Europe	10.0%	5.8%	0.0%
17	Berlin	Europe	9.4%	4.9%	0.4%
18	Edinburgh	Europe	8.9%	4.4%	2.5%
19	Vancouver	North America	8.8%	3.7%	3.4%
20	Paris	Europe	8.7%	4.9%	2.6%
21	Shanghai	Asia	8.5%	1.5%	1.0%
22	Dublin	Europe	8.3%	4.6%	2.9%
23	Zurich	Europe	8.2%	4.5%	2.2%
24	Hong Kong	Asia	8.0%	0.7%	-0.4%
25	Geneva	Europe	7.4%	2.1%	1.2%
26	Beijing	Asia	7.3%	3.5%	2.8%
27	New York	North America	5.6%	2.8%	0.9%
28	Wellington	Australasia	5.2%	-4.0%	-2.8%
29	Madrid	Europe	4.2%	2.4%	1.9%
30	Vienna	Europe	4.0%	0.7%	0.7%
31	Lisbon	Europe	3.8%	3.6%	2.2%
32	Nairobi	Africa	3.5%	2.4%	1.3%
33	Singapore	Asia	2.6%	2.0%	-0.5%
34	Bucharest	Europe	2.3%	1.9%	1.4%
35	London	Europe	2.1%	1.4%	0.9%
36	Frankfurt	Europe	1.6%	-2.2%	-2.0%
37	Bengaluru	Asia	1.4%	1.4%	0.5%
38	Mumbai	Asia	1.4%	1.3%	1.0%

(Source: [Prime Global Cities Index - Q1 2022](#))

4 Highest Rental Yield in the World

Dubai's luxury property market has some of the highest rental yields compared to the other global cities. According to the latest [report](#) by [Global Property Guide](#) luxury property worth USD 1 million in Dubai has a rental yield of **5.19%** compared to **Toronto** (3.91%), **Geneva** (3.10%), **Berlin** (2.95%), **New York** (2.91%), **Sydney** (2.85%), **Paris** (2.79%), **London** (2.76%), **Hong Kong** (2.35%), **Mumbai** (2.32%), and **Beijing** (2.10%).

5 Ease of Doing

Starting a business in Dubai or in the UAE is far easier than **95%** of the world. UAE stands at **16th Spot** in The World Bank's prestigious - '[Ease of Doing Business Rankings](#)'. This is attracting the global elites and affluent people to start their businesses in Dubai and buy luxury property for residence or for investment purposes.

According to the [Q1, 2022 report](#) by the [Department of Economy and Tourism \(DET\)](#), business registration and licensing transactions grew by **36%** during Q1 2022, reflecting Dubai's growing status as a hub for start-ups and investors worldwide. UAE issued **24,662** new business licenses during the January-March quarter, reflecting a **58%** year-on-year growth over the same quarter last year. UAE issued **15,580 licenses** during the first quarter of 2021.

Summary

Luxury properties in Dubai will witness a surge in demand in 2022 and coming years. The demand for US \$ 10 million has also shown a promising demand in the first two quarters of 2022 and is expected to increase several folds in the time to come. There will be an increase in the number of High Net worth Individuals (HNWI) moving from major economies like - Russia, India, China, Ukraine, and Hong Kong due to the ongoing global crisis and low ROI and will be investing in Dubai's real estate sector. This will encourage several real estate developers to come up with new luxury properties to allure the global affluent.

Some of the key factors which will accelerate the demand for luxury properties in Dubai in the coming years include -

- Increase in the number of High-net worth Individuals Interested in investing in Dubai's real estate
- Luxury properties are available at competitive prices compared to several western cities
- Properties in Dubai offer some of the highest price growth and Rental yield in the world
- Ease of Doing Business in the UAE