

Results 2023

Retail market

UAE | Dubai

Main trends

In 2023, Dubai retained and increased its attractiveness as a global center for trade and business. Dubai's population continues to grow steadily, having increased by 3% to 3.65 million in 2023. Dubai's tourism activity is breaking records and surpassed pre-pandemic levels in 2023. From January to November 2023, more than 15 million tourists visited Dubai, which is 20% more than during the same period of 2022. Indian citizens prevail in the tourist influx to the Emirate.

In the meantime, more and more international brands, including those from Russia, are entering the market. The best evidence is the growth in the number of extended and new commercial licenses issued by the Dubai government. For example, in the first quarter of 2023 alone, the number of new licenses increased by 30% year-on-year, while the number of renewed licenses went up by 14% over the same period.

At the end of 2023, the retail space in Dubai totaled to around 60.79 million sq ft* (5.6 million sq m) (counting only leasable area). Off-plan projects whose construction was temporarily suspended during the pandemic, such as Al Khail Avenue, are in active stages of delivery and commissioning right now. It is expected that in 2024 the Emirate's supply will further swell by 1.8 million sq ft (167,200 sq m) of leasable retail space, including through the opening of three shopping and leisure centres in the rapidly developing areas of Dubai.

One of the important trends is the renovation of Dubai's obsolete/outdated shopping centres (SC) (Dubai Outlet Mall, Wafi Mall, Ibn Battuta Mall). Due to high demand and low new retail space

commissioning, historically popular shopping centres such as Wafi Mall and Dubai Outlet Mall have announced upcoming expansions and renovations. In addition, Dubai Festival City Mall is preparing for profound remodeling that will involve facade renovation and tenant mix upgrades. At the same time, the SCs that opened during the COVID-19 pandemic (Cityland Mall, Silicon Central Mall) are currently getting successfully restarted and may also soon become a great solution for new brands entering the Dubai market, given the fact that the top-level SCs have low vacancy rates and SC owners are increasingly often favoring strong and original concepts or well-known global brands.

Retailers are still interested to grab premises in the prime locations of the Emirate. For this purpose, they work hard on the product concept and quality, its uniqueness, recognizability, promotion, marketing, etc. Retailers that have entered the market begin to expand their presence fairly quickly, covering different communities in Dubai, primarily high-traffic areas.

Compared to 2022, the rates on new leases in shopping centres increased by 44%, and on renewed leases – by 12%. Due to the lack of vacant space, new leases account for only 28% of total leases.

In 2023, the Dubai market witnessed a significant increase in rental rates at shopping centres (+20% versus 2022). Tenant demand remains focused on high quality space in popular locations. The short supply of such assets remains a key challenge and we expect this scarcity to further push up the rental rates.



* 10 sq ft = 0.93 sq m

Demand and market balance

As of 2023, some 2,623 leases (new ones and renewals) had been registered in Dubai’s shopping centres, which means more than a quarter (27%) less than in 2022. The number of new leases decreased by 2.5 times, while the number of renewals increased by 7%. This can be explained by rather limited supply available. Amid the expansion of a large number of international retailers, the market is crippled by an acute shortage of retail space in quality shopping centres, including due to the postponement of new projects’ opening dates.

During 2023, the highest growth in the weighted average rate per sq ft for new leases in shopping

and leisure centres was recorded for units >5,000 sq ft* (>465 sq m). The average annual rate increased by more than 1.5 times compared to 2022 (in 2023 it amounted to 316 AED**/sq ft/year (925 USD/sq m/year)). This growth is due to the conclusion of several large leases in Dubai Mall in January and November 2023 (weighted average rates for areas >5,000 sq ft soared to AED 842 and AED 933/sq ft/year respectively (USD 2,465 and USD 2,731/sq m/year)), which affected the average rate for the year. Such dynamics is connected with high demand in SCs for large areas and units: as a consequence, vacant premises are in short supply.

Chart 1

Dynamics of the volume of closed rent transactions in Dubai’s shopping centres

Source: REIDIN, Nikoliers

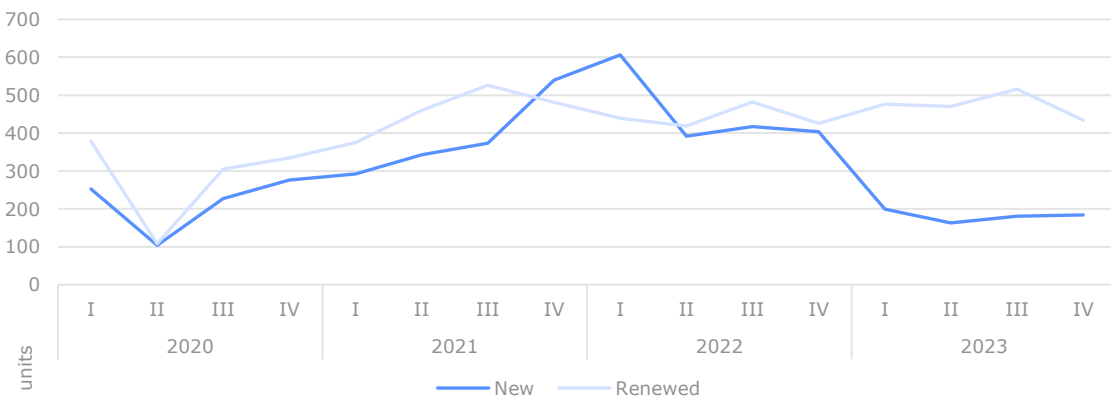
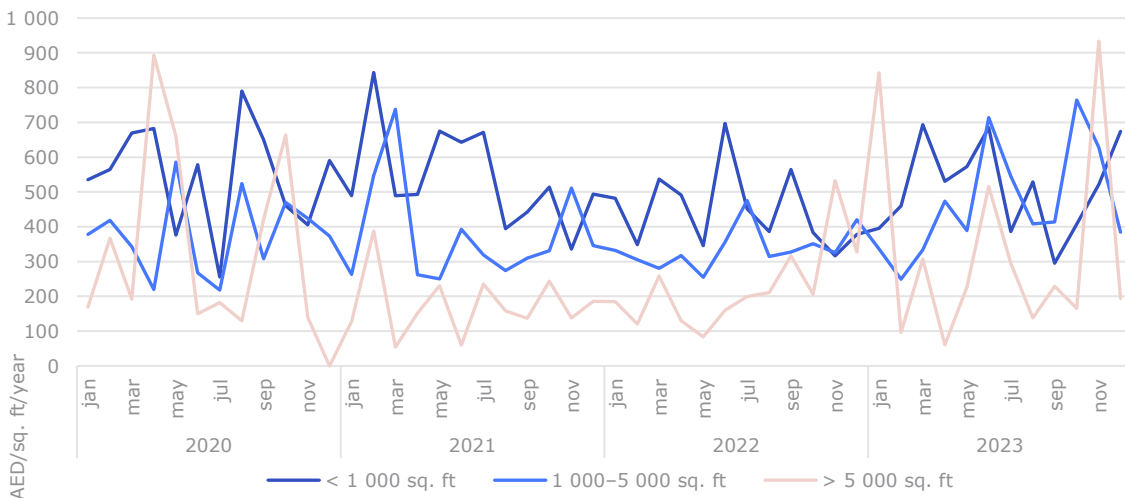


Chart 2

Dynamics of weighted average rental rate on new leases in Dubai’s shopping and leisure centres (depending on the leasable area)

Source: REIDIN, Nikoliers



* 1 sq ft = 0.093 sq m, 1 AED = 0.27 USD, 1 AED/sq ft = 2.93 USD/sq m

Rental rates

Burgeoning demand has led to a 71% increase in average rental rates for new leases in Dubai’s most popular shopping malls versus 2022. This upward trend demonstrates the continued interest in leasing space and highlights the favorable business environment in the region. Given a surge in retailer activity, the positive trend is expected to continue in the near term.

Mall of the Emirates, Dubai Mall and Dubai Marina Mall saw the highest rental rates on new leases in 2023. Such a high weighted average rate in Mall of the Emirates (1,736 AED/sq ft/year or 5,088 USD/sq m/year) is due to low vacancy and rare tenant rotation: only three transactions

under new leases (800 – 1,800 sq ft or 74 – 176 sq m) were registered during 2023. Whereas Dubai Mall had 258 new deals (up to 27,000 sq ft or 2,508 sq m) with a weighted average rate of AED 875/sq ft/year (USD 2,565/sq m/year).

Average rents on new leases in retail spaces** also increased year-on-year, with La Mer (20%), Downtown Dubai and Dubai Marina (up 10.6% each) seeing the highest growth. As in the previous year, new leases accounted for more than half of all lease transactions for retail space (57.4%).

Chart 3

Weighted average rental rates on new leases in most popular shopping centres of Dubai in 2023

Source: Nikoliers

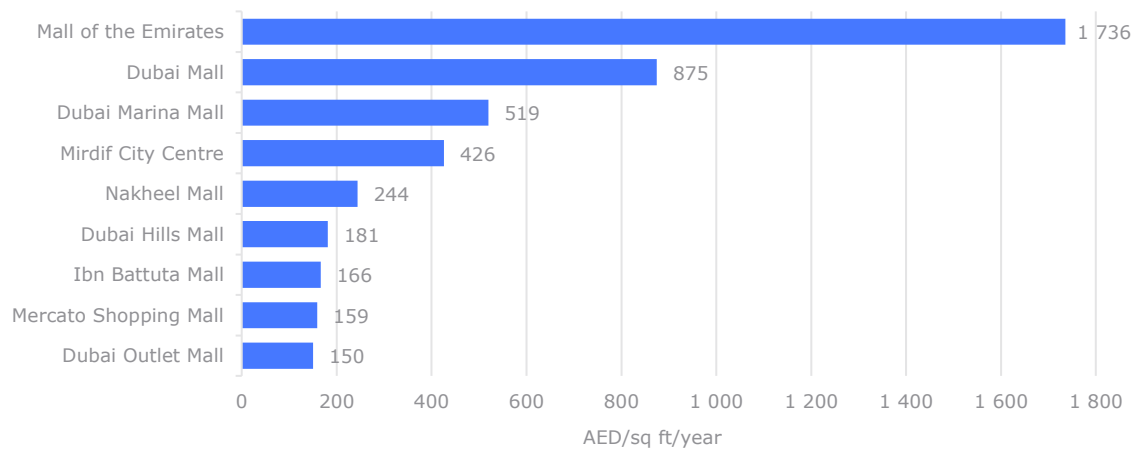
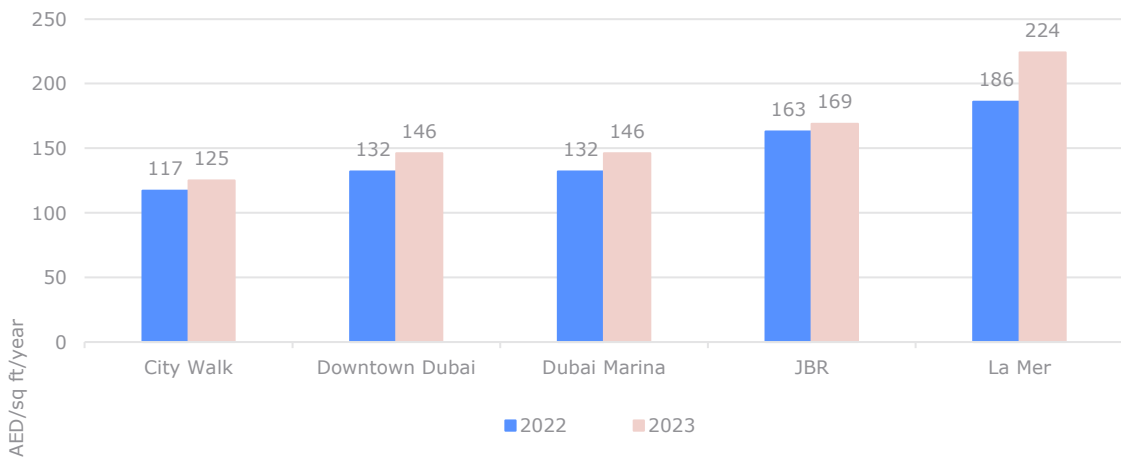


Chart 4

Weighted average rental rates on new leases in most popular retail spaces of Dubai in 2022 and 2023

Source: Nikoliers



* 1 sq ft = 0.093 sq m, 1 AED = 0.27 USD, 1 AED/sq ft = 2.93 USD/sq m

** Lively shopping areas in popular tourist destinations, owned and managed by a single developer or investor. A unique tenant mix is formed in such spaces, similar to SCs and a unique marketing strategy is developed.

Expansion of Russian brands in Dubai

In 2023, Russian retailers continued to enter and expand in the Dubai market. This is due to company owners being keen on geographical diversification of business, as well as the high standard of living, high incomes and purchasing power in the Emirate. Many Russian operators see Dubai as a key market, where a successful presence becomes a hallmark of brand quality, increases brand awareness and favors further international expansion both in the Gulf and in other regions.

In 2023, about 11 new retailers entered the Dubai market in the food and beverages category and 10 in the clothes and shoes category. In the near future, we expect another 26 new retailers of different types to enter the market. Dubai Hills, Bluewaters, Dubai Marina, Business Bay and Dubai Festival City are the most popular areas for Russian brands.

Shopping centre owners are most interested in tenants from the clothes and shoes as well as food and beverages segments. In 2023, several Russian brands successfully launched their operations in the Dubai market (12 STOREEZ, belle you, Lime, etc.).

In 2023, Russian beauty salons also started active expansion in the Dubai market: Wax&Go, Epilate Me, Mon Poney and others. More and more medical centers keep opening: in Q2 2023, Polar Bear dentistry of the Russian chain Belaya Medveditsa opened at JBR, in Q3 2023 – BUDOVSKY and AESTHETE dentistry. In September, the Kandinsky Clinic medical centre of Russia-based Chaika chain opened in Dubai Healthcare City. The Medsi chain of medical clinics is also planning to enter the Dubai market. Medical centres are seeking to expand their presence in the UAE market for several reasons. Firstly, along with the growing demand from the solvent Russian-speaking population, the demand for Russian-speaking doctors is burgeoning. Secondly, Russian-speaking expats and tourists feel a need for familiar and trusted brands in which they have already developed confidence.

Table 1

Examples of key openings of Russian brands in Dubai in 2023

Source: Nikoliers

Category	Name	Location
Food & beverages	ABC Coffee Roasters	Dubai Hills Mall
	Arte	Dubai Mall
	Babushka	JBR
	Duo Gastrobar	Dubai Hills
	KRASOTA	Address Downtown
	Miya	Bluewaters
	Roll&Boil	Dubai Mall
	Sfumato	Business Bay
	Soiree	Business Bay
Clothes & shoes	12 STOREEZ	Dubai Mall; Dubai Marina Mall
	belle you	Dubai Mall
	Brusnika	Dubai Marina Mall
	Chouquette	Dubai Hills Mall
	Lime	Dubai Hills Mall
	Post Meridiem	Dubai Marina Mall
Entertainments	SODAMODA	Dubai Marina Mall
	Hello Park	Dubai Festival City Mall
Beauty salons	Leo&Loona	Dubai Festival City Mall
	Epilate Me	JLT
	FaceRoom	Dubai Marina
	Mon Poney	Dubai Marina
	Sok Beauty	Media City
Dentistry	Wax&Go	City Walk
	AESTHETE	Bluewaters
	BUDOVSKY	Jumeirah
Medical centres	Polar Bear	JBR
	Kandinsky Clinic	Dubai Healthcare City

Future shopping centres*



Al Khail Avenue

900,000 sq ft**

Developer: Nakheel Properties

Construction stage: commissioning scheduled for 2024

Location: Jumeirah Village Triangle

A vibrant new shopping, dining and entertainment centre located in the Jumeirah Village Triangle, serving the fast-growing areas of Jumeirah Village, Jumeirah Park and other up-and-coming communities.

350 stores, 14-screen multiplex, hotel.



Nad Al Sheba Mall

505,000 sq ft

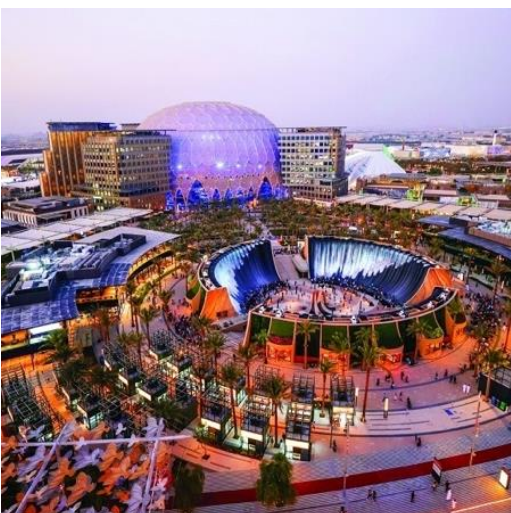
Developer: Nakheel Properties

Construction stage: commissioning scheduled for Q2 2024

Location: Nad Al Sheba

Located just off Sheikh Mohammed Bin Zayed Road. The center of the densely populated Nad Al Sheba district with over 11,000 luxury villas.

Nearly 200 stores, restaurants and entertainment venues including a supermarket, department stores, multi-screen cinema, medical centre and fitness centre.



Dubai Expo Mall

385,000 sq ft

Developer: EMAAR Properties

Construction stage: commissioning scheduled for 2024

Location: Expo City Dubai

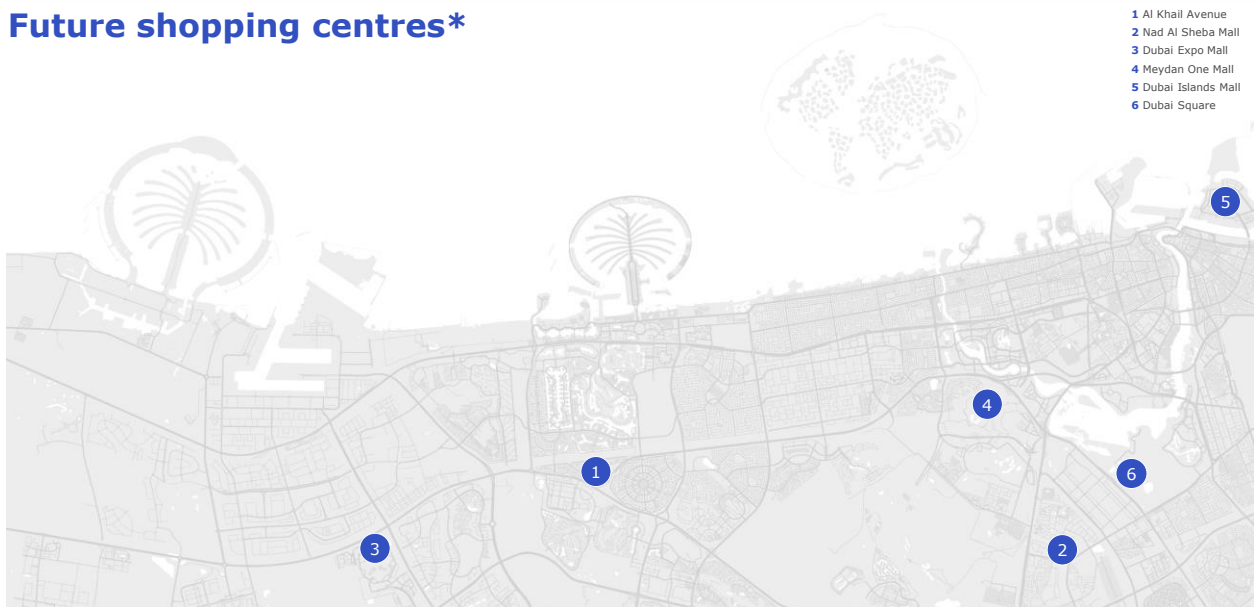
Located in the emerging community of Expo City Dubai, minutes from Expo 2020 subway station and Sheikh Mohammad Bin Zayed Road, Expo Road and Jebel Ali Road. The shopping centre is part of Expo City Dubai, which is a 600-hectare mixed-use development comprising residential, commercial and entertainment facilities

190 retail outlets as well as grocery stores.

* Areas indicated in the projects are approximate.

** 10 sq ft = 0.93 sq m

Future shopping centres*



- 1 Al Khail Avenue
- 2 Nad Al Sheba Mall
- 3 Dubai Expo Mall
- 4 Meydan One Mall
- 5 Dubai Islands Mall
- 6 Dubai Square



Meydan One Mall

6,700,000 sq ft**

Developer: Meydan Group

Location: Meydan One

The new shopping centre will be part of the master community in the developing Meydan One area, and one of the largest shopping centres in Dubai, featuring the largest indoor ski slope in Dubai, a fountain show and many sports fields.

550 stores, 180 restaurants, medical centre, hypermarket, entertainment centres.



Dubai Islands Mall

4,000,000 sq ft

Developer: Nakheel Properties

Location: Dubai Islands

Dubai Island Mall will be a three-story building consisting of retail as well as sports facilities, including a running track. The shopping centre is being built on one of the Dubai Islands group of artificial islands as part of a residential community comprising 16 high-rise towers.

1,000 stores, a hypermarket, a 15,000 sq ft entertainment area for children and adults.



Dubai Square

81,000 sq ft

Developer: EMAAR Properties

Location: Dubai Creek Harbour

Dubai Square Mall will represent a shopping centre in the Dubai Creek Harbour community, in the shadow of Creek Tower that will be taller than Burj Khalifa. The developer plans to connect the mixed-use facility with subway.

* Areas indicated in the projects are approximate.

** 10 sq ft = 0.93 sq m

Services



Office



Industrial



Retail



Residential



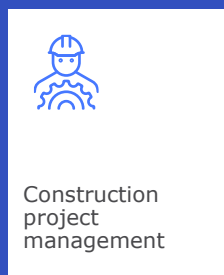
Hotel



Land plots



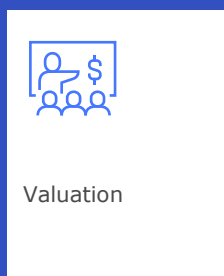
Property management



Construction project management



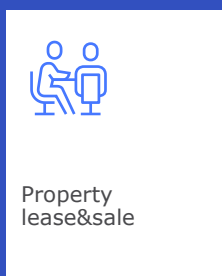
Strategic consulting



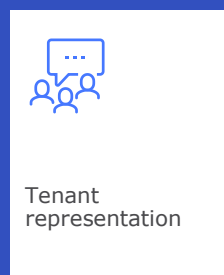
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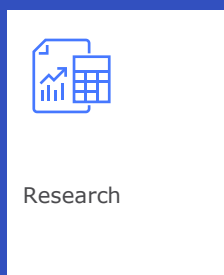
Capital markets



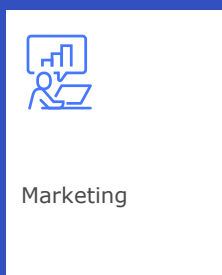
Property lease&sale



Tenant representation



Research



Marketing

Experts

Nikolay Kazanskiy FRICS, CCIM
Managing Partner
nikolay.kazanskiy@nikoliers.ru

Vladimir Sergunin PhD, MSF
Partner
vladimir.sergunin@nikoliers.ru

Anna Nikandrov
Partner
anna.nikandrova@nikoliers.ru

Igor Temnyshev
Partner
igor.temnyshev@nikoliers.ru

Dmitry Romanov
Partner | Regional Director
Valuation Department
dmitry.romanov@nikoliers.ru

Andrey Kosarev
Partner, UAE
andrey.kosarev@nikoliers.com

Olga Bakulina MCIM
Business Support Head
Marketing, PR & Research Department
olga.bakulina@nikoliers.ru

Irina Pesotskaya
Regional operating Director
irina.pesotskaya@nikoliers.ru

Ekaterina Aridova
Managing Director | St. Petersburg
ekaterina.aridova@nikoliers.ru

Victor Afanasenko
Regional Director
Warehouse&Industrial Department
victor.afanasenko@nikoliers.ru

Kirill Golyshev
Regional Director
Residential and land development Department
kirill.golyshev@nikoliers.ru

Vladislav Nikolaev
Regional Director
Strategic consulting Department
vladislav.nikolaev@nikoliers.ru

Irina Tsarkova
Director | Retail Department
irina.tsarkova@nikoliers.ru

Victoriya Goryacheva
Associate Director | Office Department
victoriya.goryacheva@nikoliers.ru

Denis Platov
Director | Capital Markets
denis.platov@nikoliers.ru

Contacts

Dubai Office

Andrey Kosarev
Partner, UAE
Andrey.Kosarev@nikoliers.com

Retail Department

Vladimir Kalikin
Commercial Director
Vladimir.Kalikin@nikoliers.ru

Research

Tatiana Divina
Regional Director
Tatiana.Divina@nikoliers.ru

Milena Tonoyan
Analyst
Milena.Tonoyan@nikoliers.ru

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 **Nikoliers**

191186 St. Petersburg
3A, Volynsky Lane
BC Severnaya Stolitsa

Tel. +7 812 718 36 18
www.nikoliers.ru