REAL ESTATE MARKET REVIEW

CBRE

UAE Real Estate Market Review

Q2 2026

REPORT

Macro Growth Outlook Moderates Amidst Current Regional Conditions

CBRE RESEARCH
July 2026

Macro Growth Outlook Moderates Amidst Current Regional Conditions

Macroeconomic Overview

- The UAE macro-economic outlook has been further downgraded, with expectations for a modest GDP contraction of -0.04% in 2026 amidst the negative impact of an extended regional conflict. This has been adjusted downwards from an initial 4.8% GDP growth forecast at the beginning of the year, reflecting continued disruptions to trade and oil flows, as well as to major non-oil sectors including tourism, hospitality, aviation, retail, and a range of other external facing sectors.
- However, the hydrocarbon sector is now expected to rise by around 1.5% in 2026, as the UAE has accelerated oil production and exports following its May exit from OPEC. This has allowed oil production to rise above pre-conflict levels to around 3.8 million barrels per day in June, against 3.4 million barrels per day during January and February. This upshift is expected to fully eradicate the negative impact of lower production during the period March to May, with oil prices also likely to be elevated over 2025 levels, supporting oil sector growth.
- The country's tourism sector continues to face dual headwinds from limited international flight schedules, in addition to weaker tourism flows regionally, with continued constraints on inbound flights from the US, Europe and Asia. This is also continuing to negatively impact performance in the UAE's retail sector, particularly across the luxury segment of the market, which is heavily reliant on international visitor spend.
- However, a significant recovery is anticipated for 2027, with GDP growth projected to rebound to 5.0% as global trade routes stabilise and new energy capacity continues to come online.

▼ **-0.04%** y-o-y forecast for UAE GDP in 2026

▼ **50.8** UAE PMI June 2026 reading, from 52.6 in May

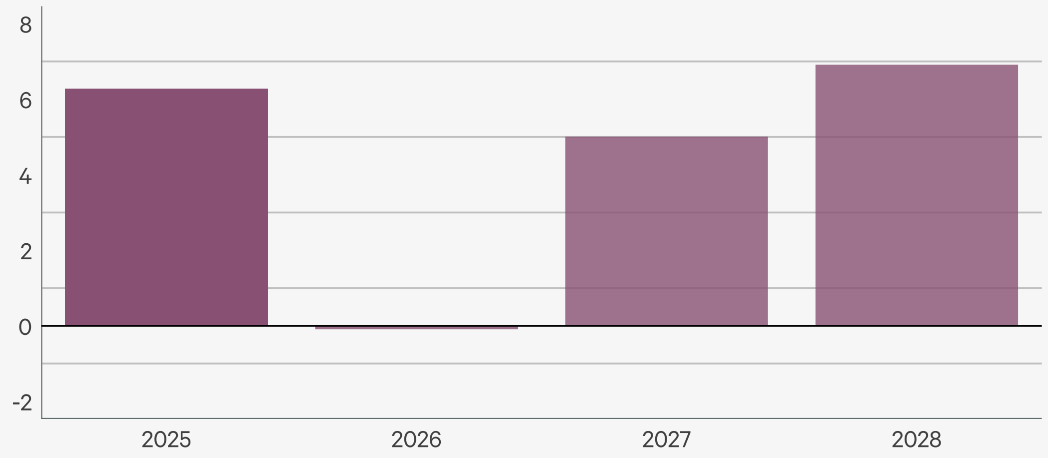
▼ **31.8pp** y-o-y decrease in UAE RevPAR (YTD June-26)

▼ **-27.7pp** y-o-y decrease in UAE hotel occupancy (YTD June-26)

▼ **6.2%** q-o-q decline in average Dubai residential rents

▲ **13%** y-o-y Increase in average Dubai office rents

FIGURE 1: UAE, Gross Domestic Product, y-o-y change (%)



Source: CBRE Research/ Oxford Economics/ Macrobond

Macroeconomic Overview

In response to the evolving regional geopolitical situation, the UAE accelerated a coordinated set of economic support measures and structural reforms aimed at reinforcing resilience, sustaining capital inflows, and safeguarding trade continuity. This includes measures to support FDI as well as existing businesses by offering liquidity support, with business loan restructuring and fee deferrals, and expanded customs facilitation. In addition, a Dubai-led AED 2.5 billion economic incentive package was launched to support SMEs and the broader private sector, reinforcing the country's role as a stable hub for trade and investment.

Trade has also been supported by activation of alternative regional logistics corridors (including land routes to Saudi Arabia and Oman, and through the East coast ports).

In addition, the UAE's CEPA program has maintained its momentum supporting the country's non-oil trade, increasing to a total of 37 agreements. This includes recent deals with Nigeria and the Philippines which signed in January, alongside earlier agreed CEPAs such as Ukraine which came into effect in July.

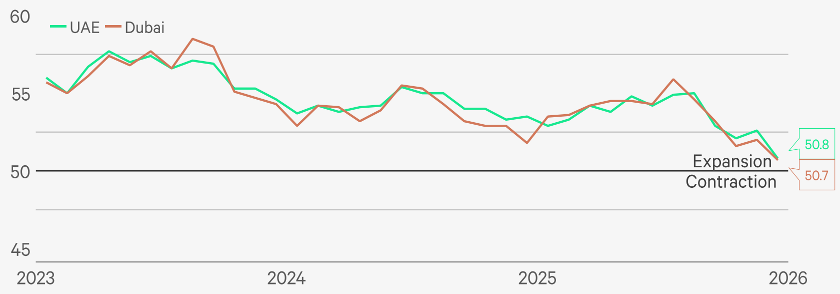
With trade flows through the Strait of Hurmuz constrained by hostilities, and with higher oil, shipping and insurance costs, the UAE's inflationary environment has been impacted, with fuel and food prices rising, adding pressure to consumers. This follows a more contained period during 2025 with inflation of just 1.3% year-on-year. However, this is forecast to rise to 2.9% in 2026. For Dubai, it is likely to be slightly higher, with June inflation coming in at 5.7% year-on-year, the highest since August 2022, against a reading of 5.5% in April.

So far, UAE business activity has remained resilient, with a reading of 50.8 in June, down from 52.6 in May and 52.1 in April. There was a similar story for Dubai, with a reading of 50.7, down from 52.0 the previous month.

The slowdown in activity represents a first real test of economic resilience, following close to six years of strong growth preceding Covid. However, by taking decisive steps to enhance policy autonomy and diversify supply chains, the UAE is looking to further strengthen its industrial base and position for recovery in 2027.

> The UAE non-oil economy continues to contract amidst the ongoing regional conflict, with weakening output from key sectors such as retail and tourism, leading to a softer growth outlook.

FIGURE 2: UAE, Purchasing Managers' Indices



Source: CBRE Research/ Macrobond

FIGURE 3: UAE, Key Economic Indicators, y-o-y % Change

	2025	2026	2027	2028
GDP	**6.2%**	**-0.0%**	**5.0%**	**6.9%**
Oil GDP	4.3%	1.5%	13.7%	11.3%
Non-Oil GDP	6.8%	-0.5%	2.3%	5.4%
tiotion	1.3%	2.9%	1.3%	1.8%

Source: CBRE Research/ Oxford Economics.

Dubai Offices

Dubai's commercial office sector has remained broadly resilient through the second quarter, as reflected in the continued high occupancy rates and prevailing rents across the market.

However, whilst overall demand remains firm there has been evidence of a growing divergence in leasing strategies even across companies within similar sectors.

This has been reflected by the rise in tenants looking to sub-lease parts of recently acquired office accommodation, suggesting future expansion capacity has in some cases been cut back. There have also been cases of tenants backing out of earlier agreed deals at the last minute due to ongoing regional uncertainties.

However, despite this, there remains evidence of latent demand for new Grade A offices, with other businesses waiting on the sidelines to step in for deals which fail to complete, a trend further substantiated by continued pre-leasing activity across other upcoming Grade A assets across popular Free zone locations such as DIFC, TECOM, and DMCC.

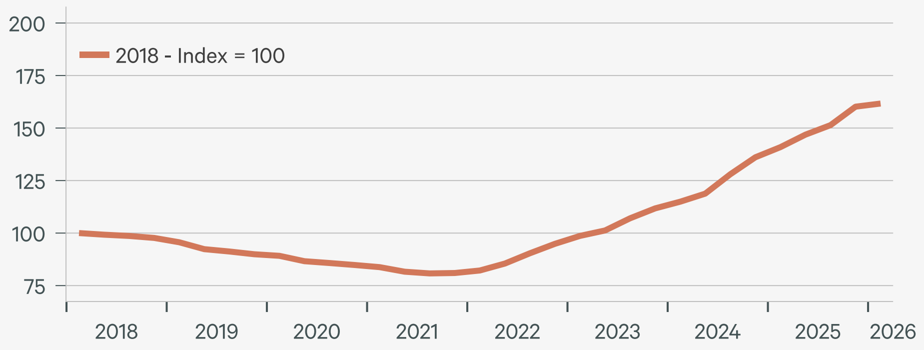
For DIFC specifically, there remains sustained demand from a range of sectors, including global hedge funds, other financial institutions, professional services and legal, which continue to look for alternative accommodation and to expand headcount, suggesting long-term confidence in domestic and regional economies remains very much intact.

Rents continued to grow In year-on-year terms, increasing by an average of 13% in Q2 2026 versus the same quarter in 2025, with prime rents rising 16% during the same period.

Occupancy rates remained relatively steady at around 94%, with the market still heavily supply constrained.

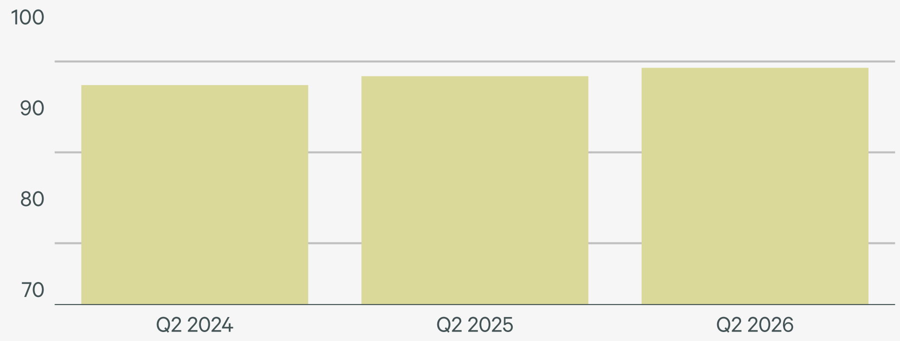
Projected office completions during the period 2026 to 2028 is less than 700,000 sqm. However, a large portion of this is expected to be pre-let before completion, particularly for quality spaces within Dubai's main commercial freezones.

FIGURE 4: Dubai, Offices, Average Rental Index



Source: CBRE Research / Macrobond

FIGURE 5: Dubai, Offices, Average Occupancy Rate, %



Source: CBRE Research / Macrobond

Abu Dhabi Offices

Despite the uncertain regional backdrop, Abu Dhabi's office market remains resilient and chronically undersupplied, with demand for Grade A accommodation continuing to outpace available supply. Whilst some market participants are displaying a more cautious approach to their future leasing activities, many others remain bullish and continue to seek out opportunities to expand.

This imbalance is arguably the most pronounced across the ADGM jurisdiction, as reflected in the rapid recent growth in office asking and renewal rents.

These fundamentals continue to be displayed by the strong Freezone license and employment growth, with active licenses exceeding 13,353 at the end of Q1 from 12,671 active licenses at the end of 2025, with 961 secured during the first quarter alone. The total number of funds managed out of ADGM also continues to rise rapidly, up 43% from the same period in 2025, reaching 263 funds from 184 last year.

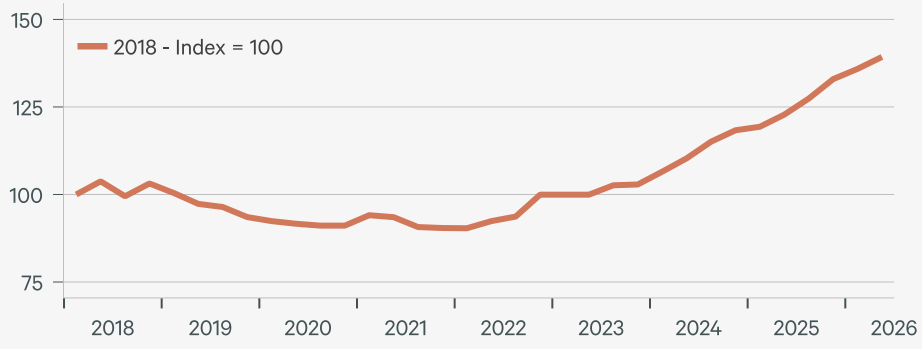
Overall sector dynamics remain highly supportive for landlords, with prevailing tight supply, limited short-term development pipeline, and sustained latent demand from international global corporate tenants as well as local government occupiers, particularly within finance sectors, including hedge funds and other investment vehicles.

Average occupancy rates across an updated basket of commercial properties has reached close to 96% at the end of the second quarter, up from 94% in the same quarter last year.

Average office rents were recorded up by close to 16% year-on-year, driven by rapid growth across prime office locations such as ADGM Square. This has been supported by sustained demand from a mix of new market entrants and expansion demand from existing occupiers.

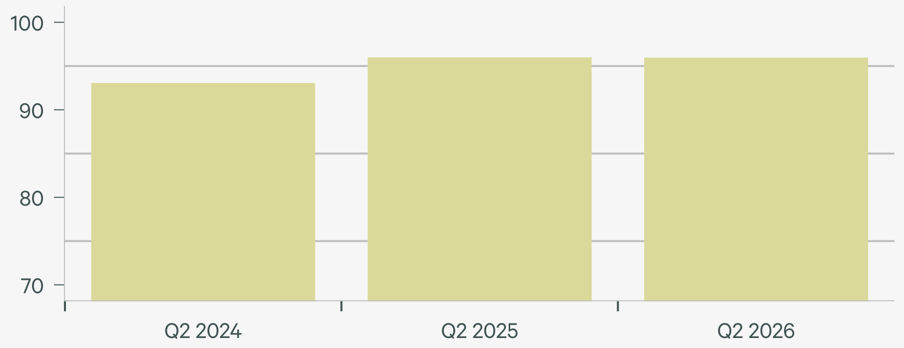
Abu Dhabi's future office pipeline for the period 2026 and 2027 totals less than 300,000 sqm combined, meaning current undersupply dynamics look set to prevail for the medium term at least.

FIGURE 6: Abu Dhabi, Offices, Average Rental Index



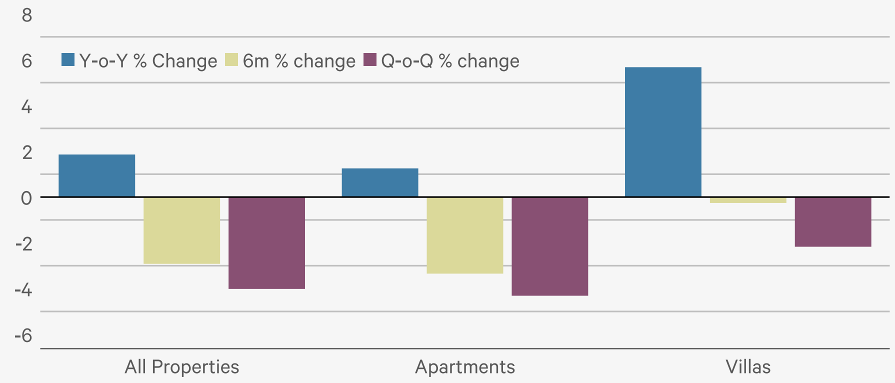
Source: CBRE Research / Macrobond

FIGURE 7: Abu Dhabi, Offices, Average Occupancy Rate, %



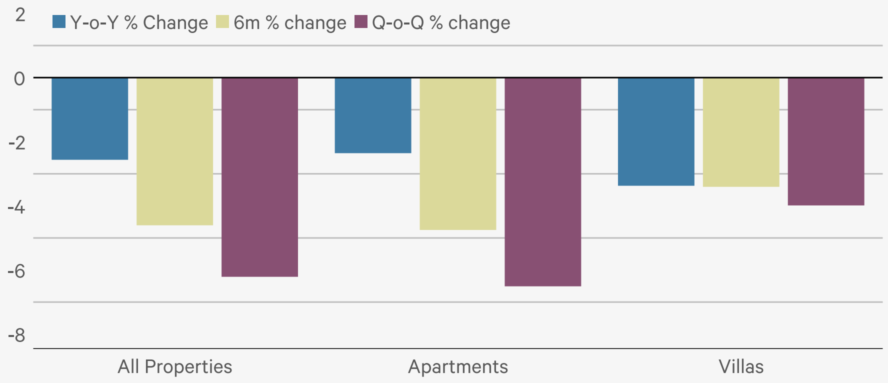
Source: CBRE Research / Macrobond

FIGURE 8: Dubai, Residential, Quarterly Price Performance, % Change to Q2 2026



Source: CBRE Research / REIDIN / Macrobond

FIGURE 9: Dubai, Residential, Quarterly Rent Performance, % Change to Q2 2026



Source: CBRE Research / REIDIN / Macrobond

Dubai Residential

Despite softening demand fundamentals, overall residential price growth over the past year remains positive, with values rising around 1.9% versus the second quarter in 2025.

This has been driven by price growth across both apartments (1.3%) and villas (5.7%), albeit this has been eroded significantly by recent events, and is likely to turn negative next quarter as the registration data catches up to the prevailing market reality.

Across the rental sector, rates are already broadly negative, with average declines of -2.6% across All Properties, -2.4% for Apartments, and -3.4% for Villas, respectively year-on-year.

However, the quarterly shift down in rental values is even more pronounced, with declines of -6.2% across All Properties, -6.5% for Apartments, and -4.0% for Villas, respectively.

However, this still doesn't fully represent the sizable slowdown seen so far during the conflict, with more widespread declines in both sales values and rents materializing and expected to continue in the coming quarters without a lasting resolution.

Asking rates for new leases are also being negotiated at notably lower rates than renewals, reflecting the impact of increasing supply and more limited occupier demand, which is being further exacerbated by the addition of former short-term rental properties to the long-term market.

On a community level, sales price performance was fragmented but broadly softer across both apartment and villa products.

Moderation of apartment values was mixed, with certain higher-value communities like the Palm experiencing a -9% dip, whilst Business Bay and Downtown dropped by around -7% q-o-q. Communities such as DIFC and Meydan saw stronger performances, with greater resilience in pricing through the period April to June.

Villa communities showed a comparable, if slightly broader, pullback, led by Jumeirah Golf Estates (-8%), Sustainable City (-7%), and Dubai Hills (-5%), whilst other communities bucked the trend, with Al Barari, Damac Hills and Jumeirah Islands also seeing more positive pricing dynamics prevail.

Residential rents followed a similar pattern, with a broad softening, particularly amongst areas of major existing supply. Amongst the apartment segment, the largest declines were noted for Downtown (-11%), Dubai Hills Estates and Dubai Marina (-10%), whilst Dubai Festival City and Green Community West posted stronger performances.

Villa rents moderated in a similarly uneven fashion, with Dubai Hills Estate (-12%), Al Barsha (-11%), and Jumeirah Park (-8%) leading the pullback, while JVT, Dubai South, and Jumeirah held up more strongly.

FIGURE 10: Dubai, Residential Transactions, Units, Q2 2026

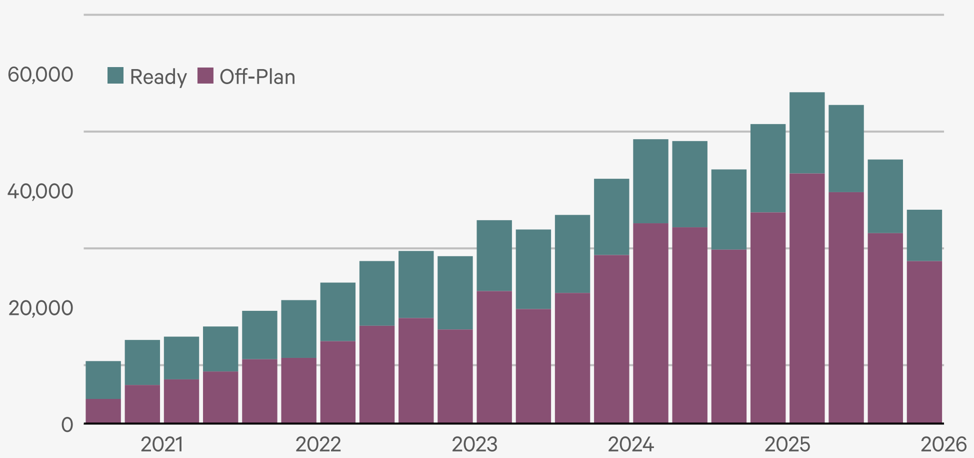
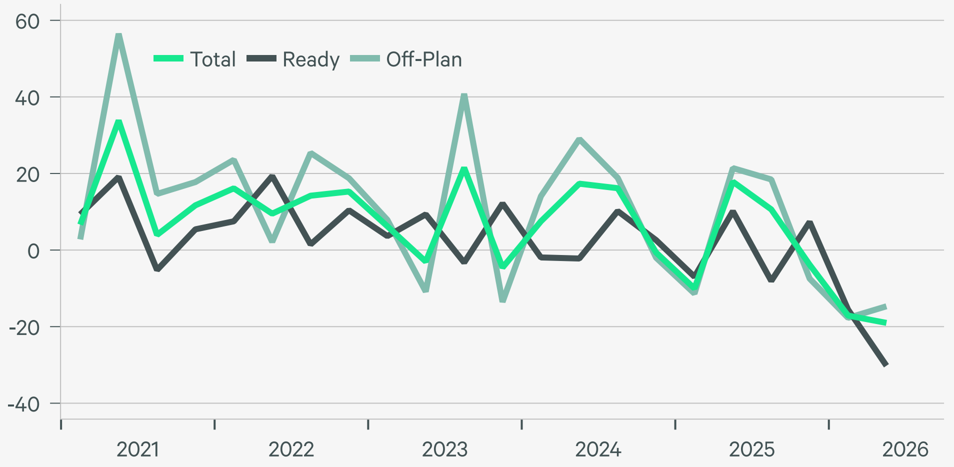


FIGURE 11: Dubai, Residential Transactions, QoQ % Change, Q2 2026



Source: CBRE Research / REIDIN / Macrobond

Dubai Residential

The Dubai residential sector continues to experience weakening transactional volumes, resulting in a moderation of rentals and sales values, reflecting a transition in the market cycle since the beginning of March.

Total residential transactional volumes decreased by 29% versus Q2 2025, with ready down -42% and off-plan by -23%. In Q2 2026, less than 37,000 transactions were completed, this was against more than 51,000 the previous year.

Apartment transactional volumes decreased by 22% versus Q2 2025, with ready down -44% and off-plan by -12%. In Q2 2026, less than 31,000 transactions were completed, this was against nearly 40,000 the previous year.

Villa transactional volumes decreased by 57% versus Q2 2025, with ready down -29% and off-plan by -66%. In Q2 2026, around 4,000 transactions were completed, this was against nearly 10,000 the previous year.

The total value of all transactions during Q2 2026 amounted to AED88 billion. This was lower by around -43% year-on-year versus close to AED154 billion in Q2 2025.

Off-plan properties continue to dominate despite the slowdown in new launch activities through H1 2026. Off-plan transaction value totalled close to AED65 billion during Q2, down -43% year-on-year AED113 billion in Q2 2025. This was also down from AED103 billion in Q1, reflecting a decline of around 37%.

Ready transactions during Q2 2026 totalled AED23 billion, which was down from AED40 billion the same quarter last year, reflecting a drop of -42%. Quarter-on-quarter, total value dipped 32%.

The residential pipeline for 2026 is set to rise despite prevailing project delays, due in part to logistical bottlenecks in the strait of Hurmuz and resulting elongated shipping times for some construction products. However, already there are many planned deliveries for the year have been shifted into the 2027 pipeline.

Through H1, around 18,000 units were completed, split into 14,800 apartments, 2,300 villas and 1,000 branded residences. However, given the softening market environment these delays may help to cushion the market from a more severe downturn in rents and prices.

According to data from REIDIN, the first half of 2026 saw significantly reduced launch activity versus last year, with just over 40,000 units brought to the market so far.

However, just over 10,000 units were launched in Q2, from 41 projects compared with 93 projects and 32,000 units in Q1 2026. Interestingly, June witnessed the quarter's highest monthly activity, whilst overall launch positioning has been firmly within the mid-market segment, reflecting a reluctance from most developers to launch luxury products during current uncertainty.

FIGURE 11: Abu Dhabi, Residential Price Performance, % Change to Q2 2026

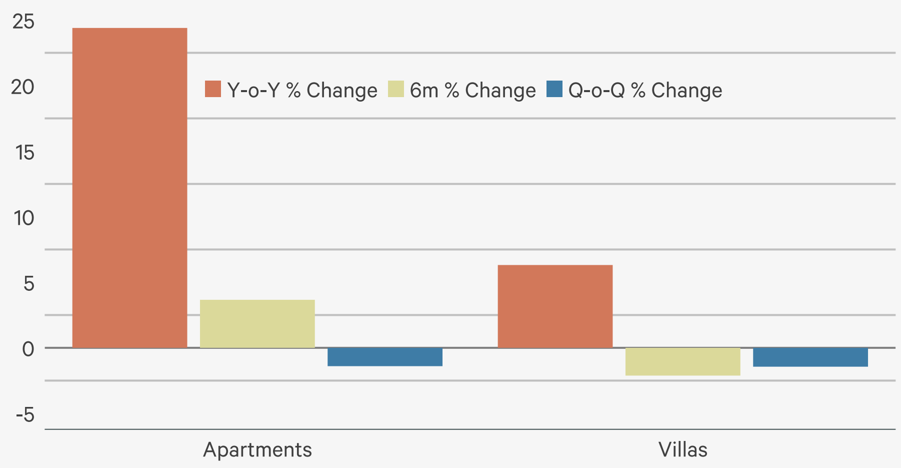
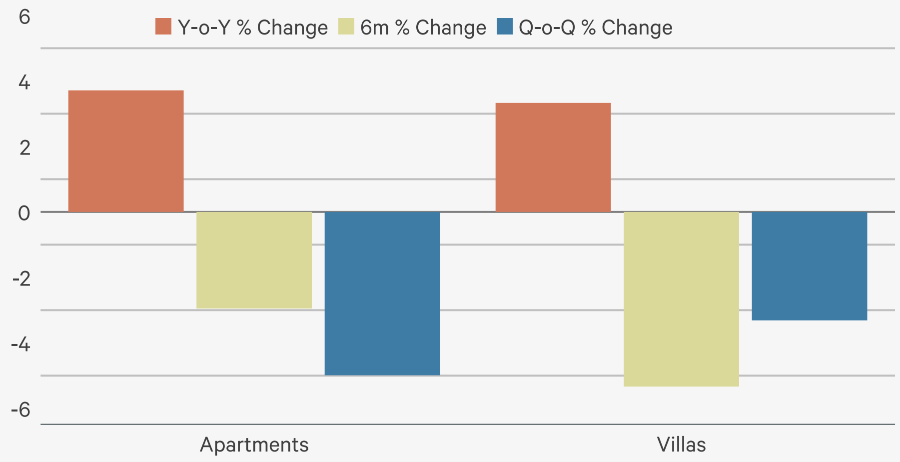


FIGURE 12: Abu Dhabi, Residential Rents Performance, % Change to Q2 2026



Source: CBRE Research / Reidin / Macrobond

Abu Dhabi Residential

Despite the slowdown across other markets in the region, Abu Dhabi's residential market has continued to perform robustly, demonstrating a much lesser impact of ongoing tensions.

Residential prices rose by around 21.6% year-on-year in Q2 2026. The apartment sector continued to drive this momentum, increasing by roughly 24.4% annually versus the same quarter the previous year. While the villa market grew more modestly at 6.3% year-on-year. On a quarter-on-quarter basis, both sectors have softened by 1.4%.

During the quarter, Abu Dhabi Real Estate Centre (ADREC) introduced a temporary freeze on rent across the Emirate, impacting residential and other commercial markets. This means that no annual increase is permitted on renewals, shifting from the previous 5% cap, whilst new contracts on previously rented units should be offered at the same value as the preceding contract.

However, the rental market has continued to grow for now, albeit there are signs of moderating growth, as rates increased by a modest 3.6% year-on-year, whilst on a quarter basis, rents contracted by 4.8%.

Annual growth was led by a close performance of both sectors, where the apartments market have increased by 3.7% and villas by 3.3%. However, moderation in Q2 compared to the previous quarter was slightly more pronounced in the apartments market with a 5% decrease, and a 3.3% in the villas market.

Abu Dhabi's residential market saw annualised transaction volumes continue to rise through H1 2026 despite a slowdown in new launch activity through the second quarter. This was led by sustained domestic demand, particularly from UAE National investors that have heavily supported recent launches from major local developers, including from Aldar and Modon.

During Q2 2026, the total value of transactions reached AED32 billion reflecting an impressive 150% year-on-year growth versus the same quarter last year. However, on a quarter-on-quarter basis, the same metric declined by 23% reflecting the contraction in new launch activity particularly during the early days of the conflict.

On a year-on-year basis, transaction volumes rose 80% versus Q2 2025, rising to nearly 7,600 registered sales. However, like the total sales value, transaction volumes also saw a quarterly dip of around -10%.

The off-plan market accounted for roughly 83% of all residential transactions and 85% of the total sales values during the second quarter. This left 17% and 15% respectively for the Ready market, underlining the continued investor preference for newer products, over existing and frequently aging stock.

The supply pipeline has risen sharply in recent years, with annual deliveries of 10,000 units per year during 2026 and 2027 before accelerating higher during 2028, and with supply expected to remain elevated through to 2031. However, short-term supply-chain pressures could lead to project delays, slowing the pace of new deliveries.

UAE Hospitality

The UAE's tourism sector continues to face headwinds from the ongoing regional conflict, which is directly impacting inbound visitor flows and consequently constraining hospitality sector performance through H1 2026.

Since March, the UAE's tourism sector has suffered a major shift in travel patterns, with monthly tourist numbers dropping sharply from around 2.0 million overnight visitors per month in January and February, amidst widespread disruptions to flight schedules, particularly amongst major international carriers including British Airways, Turkish Airlines, Singapore Airlines, Cathay Pacific, Lufthansa, and KLM. However, Emirates Airlines is now back to operating at close to pre-conflict capacity, with most routes having now reopened.

Data from Co-Star for the first half of the year, underlines the scale of the market's challenges, with UAE occupancy rates down by around 28% versus the same June-YTD period in 2025.

However, ADRs have generally held up much better, with average declines of around 5.6% year-to-date, albeit June monthly data reflected a larger 13% decline from the same month last year, providing a more realistic view of sizable conflict impact.

RevPAR obviously reflected the dual impact of occupancy and ADR declines and was lower by an average of 31.8% in YTD June, with Dubai dropping even more sharply by 33.9%.

With domestic staycations supporting overall hospitality performance, Ras Al Khaimah saw a modest 5.2% increase in ADRs during YTD-June, as residents and limited demand from regional and international tourism helped leisure focused properties to remain more resilient. However, occupancy rates were the lowest of all Emirates in H1.

Abu Dhabi has also emerged as another comparatively strong performer given the wider regional context, with occupancy rates down by only 16.8% versus June-YTD 2025, with ADRs dipping 4.3% for the same period. This was supported by the continuation of several major events during the period and the Emirate's attractiveness for domestic staycation demand, supported by attractive bundle deals for hotels and theme parks across Yas Island, amongst other destinations.

Hotels continue to target domestic demand with summer staycation offers aimed at UAE residents, and to a much lesser degree international tourism, which is helping to stimulate activity across beachfront and mall-based properties.

However, there has also been further evidence of properties choosing to push the button on required refurbishment programs, which is also helping to support overall performance, with less available room nights for the market to sell.

Unfortunately, nationwide tourism data for the months preceding the conflict are not yet publicly available, with tourism bodies choosing to limit the negative exposure from these events, despite the normal high level of transparency from the sector.

FIGURE 14: UAE, Hospitality Market, KPIs, YTD % Change

Year to Date - June 2026 vs Year to Date - June 2025			
Market	Occ. PP Change	ADR % Change	RevPAR % Change
UAE	-27.7	-5.6	-31.8
Abu Dhabi	-16.8	-4.3	-20.3
Dubai	-30.3	-7.0	-35.2
RAK	-32.1	5.2	-28.6

Source: Co-Star

UAE Retail

With key fundamental drivers from population to tourism flows remaining under pressure, the country's retail sector continues to face weakening demand dynamics. The sector is also likely to be further tested over the coming months, through a quieter period when many UAE residents will leave for the summer.

Occupancy rates across a basket of major retail facilities have however remained firm, holding strong at around 98% in Dubai and 95% in Abu Dhabi, respectively with no real change since the same quarter last year.

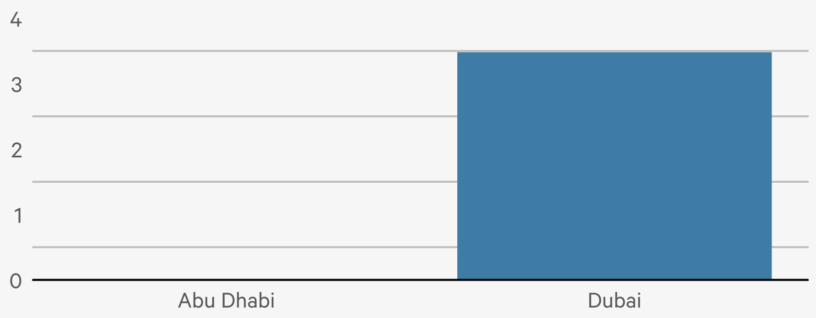
Whilst Dubai has recorded a further modest increase in year-on-year rental rates versus Q2 2025, at around 3%, rents in Abu Dhabi have remained broadly unchanged.

Supply levels across the country remain comparatively tight, with Dubai not expected to see any notable completions this year. However, 2027 will see the handover of nearly 240,000 sqm, including several major deliveries, including the long-awaited Al Khail Avenue next to Jumeirah Village Triangle which will add around 111,000 sqm of new retail GLA.

There will also be several other notable completions across a range of retail typologies, including the F&B focussed Anchor from Shamal Holdings at Dubai Harbour and new community and neighbourhood malls including Sobha Hartland Mall and Liwan Mall.

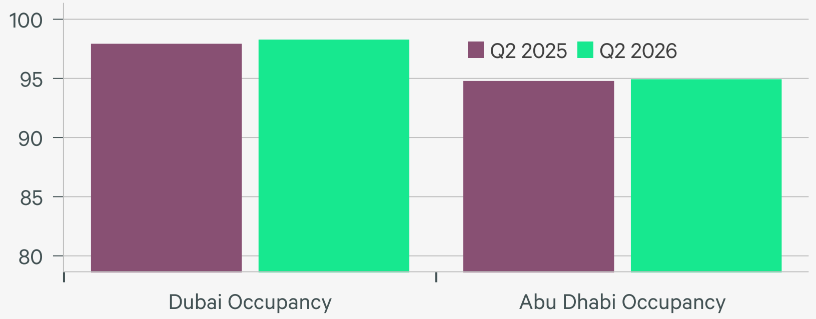
For Abu Dhabi, the first phase of retail handovers at Saadiyat Grove, will finally be delivered in Q3 2026, supporting recent cultural and residential completions across Aldar's wider Cultural District.

FIGURE 15: UAE, Retail Rents, y-o-y % Change to Q2 2026

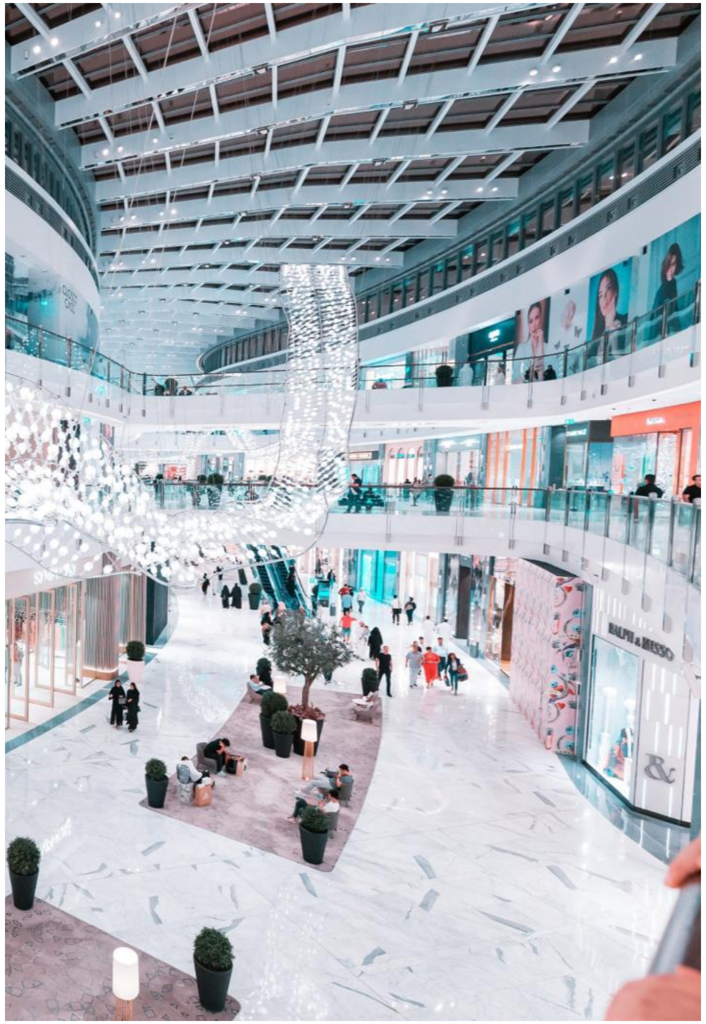


Source: CBRE Research / Macrobond

FIGURE 16: UAE Retail, Average Regional and Super-Regional Malls Occupancy Rate, %



Source: CBRE Research / Macrobond



UAE Industrial

In response to the evolving regional geopolitical situation, the UAE has implemented various economic support measures and structural reforms aimed at reinforcing resilience, sustaining capital inflows, and safeguarding trade continuity. This has included support for SMEs and the broader private sector, reinforcing the country's role as a stable hub for trade and investment.

Based on recent figures from the MoIAT, the UAE's industrial exports reached AED262 billion in 2025, buoyed by successful diversification efforts, through initiatives such as Operation 300bn. The strategy, along with Make it in the Emirates (MIITE), In Country Value (ICV), other Emirate level industrial strategies, aim to establish the UAE as a global high-tech and manufacturing hub, supporting localisation of supply chains, promoting food security, and creating new industrial jobs.

This has led to progress across emerging sectors such as F&B processing / production, advanced manufacturing, defence industries, pharmaceuticals, and clean energy, amongst others, boosting local manufacturing capability and lessening reliance on imports, a factor wich continues to gain strategic importance for the UAE given current trade dynamics.

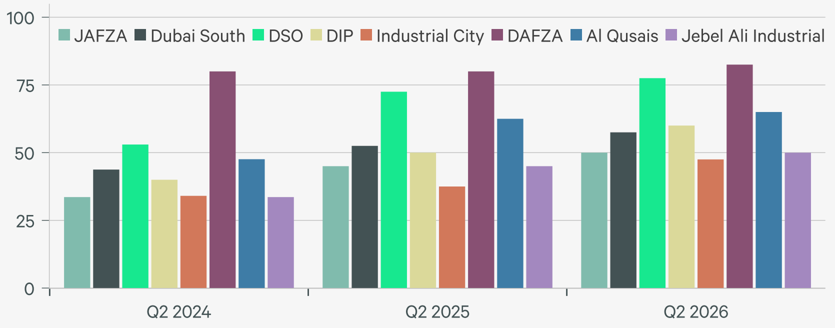
However, despite prevailing geo-political challenges, particularly related to the free movement of goods through the Strait of Hormuz, the UAE's industrial and logistics leasing market has continued to demonstrate resilience, and whilst year-on-year growth rates have moderated from a peak in Q2 2025, average annual rental growth remains in double digits.

For Dubai, the strongest levels of rent increase were recorded across locations such as Dubai Industrial City (DIC), Dubai Investments Park (DIP), and National Industries Park (NIP). This was then followed by JAFZA, Ras Al Khor and Umm Ramool which all saw rents rise by around 10% year-on-year.

Abu Dhabi's leasing market also saw firm but steady dynamics, with performance characterised by sustained end-user demand and rising FDI into strategic areas of the industrial sector, as reflected in the success of this year's MIITE event. The forum generated an unprecedented AED48.5 billion in total industrial investments, anchored by a new AED36.7 billion chemical cluster by TA'ZIZ and Alpha Dhabi Holding in Al Ruwais Industrial City and further reinforced by KEZAD Group formalising AED2.1 billion across 17 new logistics agreements.

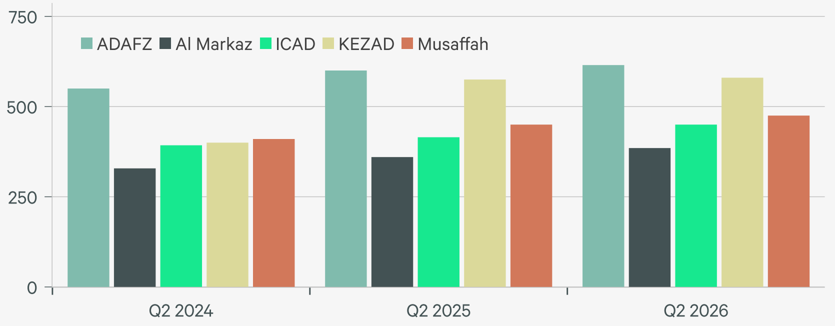
Market-wide average rents reached AED501/sqm/annum, representing a 4.4% expansion year-on-year as compared to a modest 0.4% uptick quarter-on-quarter. Growth was led by ICAD, which rose 8.4% to AED450/sqm/annum. This was followed by Al Markaz which saw growth of 6.9% y-o-y. The Musaffah area saw rents increase 5.6% y-o-y, whilst holding flat q-o-q at AED475/sqm/annum. Meanwhile, premium areas like KEZAD maintained a solid baseline, logging y-o-y growth of 0.9% to 580 AED/sqm/annum, respectively. This steady performance comes despite continued geopolitical headwinds and operational challenges faced by the region's industrial and logistics sector. Whilst the conflict imposed immediate friction via emergency surcharges and rising war-risk insurance premiums, the domestic market has remained somewhat insulated due to severely constrained localised supply pipelines.

FIGURE 17: Dubai, Average Industrial Rents, AED/SQFT



Source: CBRE Research / Macrobond

FIGURE 18: Abu Dhabi, Average Industrial Rents, AED/SQM



Source: CBRE Research / Macrobond

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