

Despite sharp rise in geopolitical risks, GCC markets ended June higher

- ▶ While GCC markets underperformed their global benchmarks during June...
- ▶ ...they delivered positive absolute returns despite raging geopolitical risks...
- ▶ ...highlighting the underlying strength of regional financial markets.
- ▶ As the theme of the month, we discuss the outlook for UAE real estate.

The macro viewpoint

- ▷ June witnessed a significant escalation in Middle East tensions, triggered by Israel's airstrikes on Iranian nuclear facilities and Iran's retaliatory missile attacks on Israeli cities. The situation intensified further with US involvement, fueling fears of oil supply disruptions and potential blockage of the Strait of Hormuz. However, diplomatic intervention led to a fragile US-brokered ceasefire that eased immediate risks, though underlying tensions persist.
- ▷ Global markets navigated the geopolitical swings with resilience—equities rebounded following the ceasefire and also supported by dovish signals from central banks and positive trade developments. Over the past month, global equities recorded gains, oil prices ended higher, UST yields declined, and the USD weakened despite attracting safe-haven flows during the peak of the conflict.
- ▷ Oil prices witnessed heightened volatility, reflecting the embedded geopolitical risk premium. Brent crude surged to USD80/bbl amid US strikes, before retreating to USD 68/bbl post-ceasefire.
- ▷ GCC financial markets experienced volatility as increased geopolitical tensions weighed on the investor sentiment. While GCC equities registered gains despite the rise in tensions, they underperformed their global and emerging market equity benchmarks. GCC bonds also posted gains but mostly underperformed global bond aggregates.
- ▷ We maintain our constructive outlook on the GCC region on a cross-asset basis. The region's strong fundamental backdrop should provide a buffer against geopolitical and tariff-related uncertainties. From a regional cross-asset viewpoint, we remain positive on UAE and KSA; neutral on Qatar and Kuwait. Within fixed income, we also like Oman, and are neutral on Bahrain while in equities we stay cautious on both.

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Exhibit 1: Summary of our top-down views on GCC markets

View (3M-6M)*						Top-down/Macro rationale
--	-	N	+	++		
Equities						
Abu Dhabi						Structural story remains compelling, and the cyclical story justifies valuation.
Dubai						Attractive valuations and strong momentum help the most cyclical story.
KSA						While cyclically constrained by weak earnings, remains a strong structural story.
Kuwait						Valuations have been adjusting in line with the earnings revisions.
Qatar						Earnings downgrade momentum adjusted in valuations.
Oman						Easing economic momentum makes fixed income more appealing than equities.
Bahrain						Stay cautious on rising cyclical vulnerabilities. Market remains a cyclical play.
Fixed Income						
Abu Dhabi						Attractive bond valuations, strong fundamentals, high-quality within EM.
Dubai						Valuations stretched, debt reduction efforts are positive.
KSA						Attractive bond valuations, strong fundamentals, high-quality within EM.
Kuwait						New law to allow bond issuance and JPM upgrade are credit positive.
Qatar						Strong fundamentals, quality within EM. Market upgrade helps.
Oman						Improving debt fundamentals, fiscal management, reduced oil dependency.
Bahrain						External debt concerns remain; heavy dependency on oil.

Legend Current Previous

Source: ADCB Asset Management | Notes: *Views in regional context. "--" = Very Negative, "-" = Negative, "N" = Neutral, "+" = Positive, "++" = Very Positive.

GCC cross-asset views by geography

Abu Dhabi	Equities (Positive)	Fixed Income (Positive)
<p>▷ Macro: The UAE's non-oil private sector growth slowed in May, with the PMI dropping to 53.3. Despite this, real GDP growth is projected at 4.4% for 2025 and 5.4% for 2026, driven by a rebound in oil production and resilient non-oil sectors such as tourism, manufacturing, and digital economy investments. Inflation remains modest at 1.4% in Q1 2025, with a yearly average forecast of 1.9%. The UAE maintained strong credit ratings from S&P Global (AA), Moody's (Aa2), and Fitch (AA-), reflecting its robust fiscal position and diversified economy.</p> <p>▷ Equities: Abu Dhabi's ADX General Index posted a more modest June gain c+1.4%. Early-month trading was subdued, but the late-June ceasefire news lifted the ADX by 2.2% in one session. Property developer Aldar Properties leapt 8.3% on that news, reflecting investor optimism. Banking and energy shares also contributed to Abu Dhabi's climb. Overall, UAE markets proved resilient – mid-month volatility from the conflict was largely reversed by the month's end.</p> <p>▷ Fixed Income: UAE sovereign bonds recorded gains over the past month, tracking the global fixed income rally and decline in UST yields, despite the escalating Middle east tensions. However, UAE bonds are now underperforming EM USD bonds on a YTD basis. We continue to believe that valuations of Abu Dhabi sovereign bonds are attractive relative to its high credit rating and strong macroeconomic backdrop within EM. Abu Dhabi sovereign bonds are also attractive versus Dubai sovereign bonds especially given the former fares better in terms of fiscal metrics.</p>		

Colour legend
Very Negative
Negative
Neutral
Positive
Very Positive

Dubai	Equities (Positive)	Fixed Income (Neutral)
<p>▷ Macro: The Dubai PMI remained at 52.9 in May, indicating solid non-oil private sector growth despite being the lowest since early 2022. Businesses saw increased orders, improved client confidence, and effective marketing strategies. Business activity rose sharply but at a weaker pace than in four years. Inventory demand decreased, resulting in the mildest input cost inflation in 17 months. While stocks of purchases declined, job creation was slight.</p> <p>▷ Equities: Dubai's DFM General Index hit a 17-year high by June 10 amid a property boom. Although regional tensions sparked a brief pullback, Dubai still closed June about c2% higher. A post-ceasefire bounce on June 24 saw the index jump 3.1% intraday – its biggest rise in years – with blue-chip Emaar Properties up 4.7% and budget carrier Air Arabia soaring 7.2%. Real estate and tourism-linked stocks were standout performers throughout the month.</p> <p>▷ Fixed Income: Dubai USD sovereign CDS spread widened over the past month on rise in Middle east tensions, but bond yields declined over the past month. The 5yr sukuk saw the largest decline in yields. We turn neutral on Dubai as the rally looks overdone and valuations appear expensive compared to Abu Dhabi and Saudi Arabia. Dubai sovereign bonds do not hold a rating but given the public debt levels and substantial government related entities liabilities, they rank lower compared to Abu Dhabi sovereigns. Recent debt reduction through repayment of debt is credit positive. Prospects of positive fiscal surplus, revenue generation through IPOs of state owned companies and lower bond issuance remain favourable.</p>		

Saudi Arabia	Equities (Positive)	Fixed Income (Positive)
<p>▷ Macro: Saudi Arabia's non-oil private sector showed robust growth in May with a PMI of 55.8, accompanied by the fastest job creation in over a decade. The IMF upgraded its 2025 GDP growth forecast to 3.5%, citing resilient domestic demand. Consumer inflation remained steady at 2.2%, driven by rising housing rents. Lower oil revenues resulted in small fiscal and current account deficits, but substantial reserves provide a cushion. Unemployment among nationals hit a record low of 7%, surpassing the Vision 2030 target due to broad-based employment gains.</p> <p>▷ Equities: Saudi Arabia's TASI saw a modest gain of about 0.5% in June. After a mid-month dip due to geopolitical tensions, the index rebounded strongly, with a 2.37% surge on June 25. Banking shares led the rally, while petrochemical giants lagged. Trading volumes remained</p>		

robust, especially on big rally days. Geopolitical turbulence mid-June impacted sentiment, but a late-month ceasefire announcement fuelled the market's recovery.

- ▷ **Fixed Income:** Saudi Arabia bonds posted strong gains over the past month and were the second-best performers in GCC after Oman. Sovereign CDS spreads had widened with the escalation of Middle east tensions but have returned to levels seen before the conflict. Fiscal concerns remain with declining oil revenues and higher spending resulting in a budget deficit in 1Q'25. However, Saudi bond yields are already accounting for the weaker fiscal backdrop and trading cheap not only to similar rated peers in EM and also compared to the GCC peers. Diversification efforts and increased non-oil activity are supportive.

Colour legend

Very Negative

Negative

Neutral

Positive

Very Positive

Kuwait	Equities (Neutral)	Fixed Income (Neutral)
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- ▷ **Macro:** Kuwait's non-oil economy continued to grow in May, with a PMI of 53.9, indicating solid expansion. Businesses saw increased orders and output, leading to record-high employment growth. After nearly stagnant growth in 2024, Kuwait's economy is forecast to expand in 2025, with projected low single-digit GDP growth as oil production stabilizes and domestic activity increases. Structural reforms and a rebound in oil sector investment are expected to support this recovery, amid a relatively steady oil price environment.
- ▷ **Equities:** Kuwait's equity market outperformed the GCC in June, with the All-Share Index rising 2.5%, reflecting a 12M increase of almost 20%. The Premier Market Index notably jumped 2.1% on June 24 due to easing geopolitical tensions. Key drivers included robust corporate earnings, and stable oil revenues. Banking and telecommunications sectors led gains, with significant contributions from blue-chip stocks like NBK and KFH. Kuwait maintained its position as the best-performing GCC market YTD, buoyed by positive sentiment and economic neutrality during regional conflicts.
- ▷ **Fixed Income:** Kuwait bonds only registered modest gains and thus underperformed regional GCC peers. This is despite the CDS levels being contained, unlike the spike seen in other GCC CDS spreads. Recent reports indicate that Kuwait has been preparing for raising borrowing and has authorized its sovereign wealth fund to issue in foreign currencies. We believe the re-opening of the sovereign debt market marks a major shift in the country's fiscal policy while the reclassification of Kuwait (in phased manner over six months) by J.P. Morgan as developed market is also positive. However, the sole 2027 USD maturity bond is trading at a tighter spread of c55bp versus similar maturity USTs.

Qatar	Equities (Neutral)	Fixed Income (Neutral)
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- ▷ **Macro:** Qatar's non-energy private sector saw marginal growth in May with a PMI of 50.8, slightly higher than April's 50.7, and firms increased hiring at one of the fastest rates on record. The economy is projected to maintain steady growth, with the World Bank forecasting a GDP growth of 2.4% for 2025. A significant economic acceleration is expected in 2026 due to new LNG megaprojects, particularly the North Field gas expansion, which will drive a surge in growth rates, averaging around 6.5% in 2026–27 as LNG output increases by 40%.
- ▷ **Equities:** Qatar's QE Index faced volatility in June but ended roughly flat. The index dipped mid-month due to geopolitical tensions but rebounded strongly by late June, with a notable 1.93% jump on June 24. The late-month rally saw broad-based gains across six of Qatar's seven sectors, led by banking, real estate, and services. A temporary airspace closure late-June had a short-lived market impact, and the swift ceasefire agreement restored investor confidence.
- ▷ **Fixed Income:** Qatar bonds posted positive returns despite the geopolitical tensions. The 5yr CDS spread spiked mid-June as tensions escalated but ended lower with the ceasefire agreement. Despite the positive returns, Qatar bonds underperformed high-quality peers. Due to recent underperformance, valuations of Qatar bonds are looking attractive versus Abu Dhabi in certain maturity segments. Macroeconomic backdrop remains positive with the country expected to post positive fiscal and external balances in 2025. The oil breakeven levels are also the lowest in the region. The reclassification of Qatar (in phased manner over six months) as developed market by J.P. Morgan should attract demand from developed market investors.

Oman	Equities (Negative)	Fixed Income (Positive)
<p>▷ Macro: Oman's economy showed resilience with a 1.7% GDP growth in 2024, driven by non-hydrocarbon sectors. Growth is projected at 2.4% for 2025, aided by easing oil cuts and strong investments. Inflation remains low, averaging 0.9% in early 2025. However, the fiscal surplus is expected to narrow from 3.3% of GDP in 2024 to 0.5% in 2025, despite prudent fiscal management. The current account surplus of 2.2% of GDP in 2024 is predicted to shift to a modest deficit in 2025 due to softer oil export earnings and continued import growth, with a return to surplus anticipated medium-term.</p> <p>▷ Equities: Oman's Muscat Stock Exchange initially performed well in June, with the MSX30 Index rising about 3% by mid-month. However, late-month regional tensions led to a cautious pullback, leaving the index essentially flat. Positive domestic news, including robust profits reported by Oman's sovereign wealth fund and economic reforms, supported the market.</p> <p>▷ Fixed Income: Oman bond index registered positive returns over the past month and outperformed GCC peers and also EM USD aggregate bond index. Government effort to reduce debt levels through fiscal discipline are supportive. Reports of the country introducing income tax will help diversify oil revenues and further reduce the breakeven oil prices. While spreads are pricing in the improving fundamentals, the positive rating momentum is favourable.</p>		

Bahrain	Equities (Negative)	Fixed Income (Neutral)
<p>▷ Macro: Bahrain's economy is projected to grow by about 3.5% in 2025, up from ~2.7% in 2024, thanks to a cautiously optimistic regional backdrop and post-pandemic recovery. The easing of OPEC+ oil production cuts will boost Bahrain's oil output, enhancing government revenues and fiscal balances. Additionally, Bahrain's diversification efforts, including investments in logistics, tourism, financial services, and renewable energy, continue to drive non-oil sector growth. These initiatives are pivotal in sustaining economic activity and reinforcing fiscal reforms.</p> <p>▷ Equities: Bahrain's All Share Index remained stable in June. The market dipped amid mid-June conflict scares but recovered by month's end, boosted by a 1.97% rise on June 25. Communication services, financials, materials, and real estate sectors saw minor gains, while consumer discretionary stocks briefly dragged the index mid-month. The index tracked regional trends, influenced by oil prices and geopolitical tensions.</p> <p>▷ Fixed Income: Bahrain bonds recorded marginal returns but underperformed Oman and other GCC peers over the past month. Fiscal concerns remain with declining oil revenues and sharply higher financing costs pushing the budget deficit beyond 5% of GDP in 2024. However, spreads are too tight relative to B-rated peers against the weak fundamentals. Dependency on oil remains significant, making it the most sensitive to oil price fluctuations. Weak external balances make the bond market vulnerable to external shocks.</p>		

Colour legend
Very Negative
Negative
Neutral
Positive
Very Positive

Exhibit 2: Cross-asset performance* summary of GCC markets and their global benchmarks

Fixed Income	Latest	1M (%)	YTD (%)	3M interbank	Latest	1M (bp)	YTD (bp)
Global Agg	495.8	2.00	7.09	Saudi	5.64	29.66	15.97
Global Treasuries	209.3	1.84	7.43	UAE	4.15	1.77	-25.32
EM USD Agg TR	1306.4	1.89	4.64	Kuwait	4.06	12.50	12.50
EM LatAm TR	1194.9	2.22	5.55	Bahrain	5.61	-3.62	-8.16
EM EMEA TR	384.0	1.78	4.22	Oman	4.58	-8.75	-28.20
EM Asia TR	676.1	1.68	4.19	Qatar	4.65	0.00	-2.50
Bahrain TR	210.3	0.89	3.36	US SOFR	4.40	9.00	3.00
Oman TR	164.1	2.05	4.74	5Y Sov. CDS	Latest	1M (bp)	YTD (bp)
Kuwait TR	162.4	0.67	3.60	Saudi Arabia	69.40	-5.11	-4.75
Qatar TR	142.2	1.19	3.22	Abu Dhabi	36.92	-0.28	-7.22
Saudi Arabia TR	147.1	1.49	4.24	Dubai	64.00	2.28	1.15
UAE TR	148.3	1.33	3.96	Kuwait	67.61	-6.50	-7.20
Equity	Latest	1M %	YTD %	Bahrain	211.73	-14.00	24.35
ADX	9941.9	2.19	4.99	Oman	104.61	-13.96	2.54
DFM	5732.2	3.26	10.30	Qatar	36.02	-0.49	-7.68
Tadawul	11207.7	1.31	-7.77	10Y yield	Latest	1M (bp)	YTD (bp)
DSM	10777.3	0.34	1.88	Saudi Arabia	4.98	-19.10	-40.30
MSM30	4503.5	-0.50	-0.83	Abu Dhabi	4.50	-13.30	-51.20
BHSE	1944.4	-0.08	-3.22	Dubai	4.46	-11.50	-33.90
KWSE	9203.5	2.50	13.95	Bahrain	6.97	-3.40	2.20
MSCI GCC	735.5	2.10	0.90	Oman	5.20	-27.30	-50.80
MSCI EM	1228.5	5.40	13.78	Qatar	4.53	-14.70	-28.90
MSCI ACWI	914.8	3.23	7.80				

Source: MSCI, Local Stock Exchanges, Bloomberg, and ADCB Asset Management | Notes: *based on data as of close of June 26, 2025.

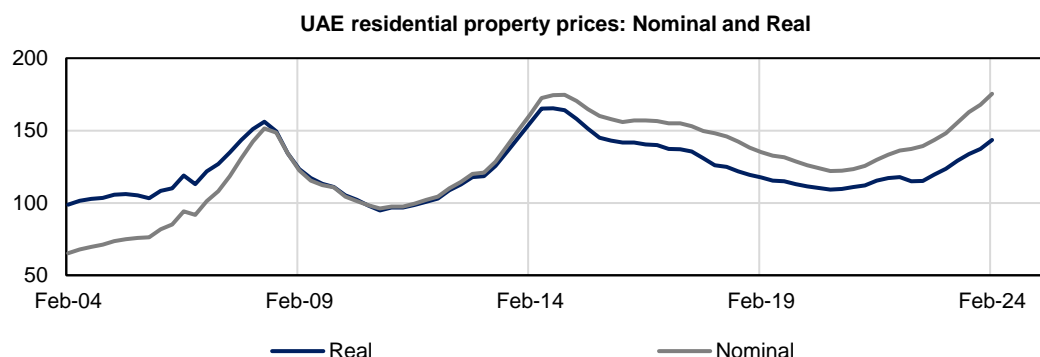
Theme of the month: UAE Real Estate Outlook – Trends, Drivers, and Diverging Paths

Recent price trends in the UAE real estate market

After a brief pandemic-induced dip in 2020, the UAE's property market entered a robust upswing from 2021 onwards. Dubai has led this resurgence with striking price increases. According to Global Property Guide, residential property values in Dubai climbed about 9% in 2021, followed by another 9.5% in 2022, then accelerated to roughly 20% in 2023. This momentum carried into 2024 – as of late 2024, Dubai's all-residential price index was up about 19% compared to a year prior. Such sustained double-digit growth marks Dubai as one of the world's hottest real estate markets during this period. The market's rebound has been broad-based: apartment prices surged ~19% and villa prices ~20% in the year to November 2024, underscoring strong demand across housing segments. According to CBRE, transaction activity has mirrored these price gains – 2023 saw 119,000+ sales in Dubai, the highest ever (about 30% above 2022's volume), and 2024 set another record with 180,987 real estate deals in Dubai (up 36.5% year-on-year). This flurry of sales highlights the extraordinary demand propelling Dubai's boom.

Abu Dhabi has seen a more measured uptick in prices, trailing Dubai's explosive growth. After barely rising in 2021-2022 (only ~1-2% annual price gains), Abu Dhabi's residential values began picking up in 2023. By early 2024, Abu Dhabi prices were about 8.6% higher YoY – a respectable increase but less than half of Dubai's c18% gain in the same period. For full-year 2023, Abu Dhabi's average house prices were nearly flat (apartments up just 1.1% and villas ~0% change), in stark contrast to Dubai's 20%+ jump, according to CBRE. Late 2024 data shows Abu Dhabi's market gathering a bit more momentum (around 10% annual price growth by Q4'24), but it remains far more subdued than Dubai's. As per data from Global Property Guide, transaction volumes in Abu Dhabi hit a record 14,662 deals in 2024 (up only 4% from 2023) – an all-time high for the city, yet only a fraction of Dubai's sales count. In short, both markets are in an upswing, but Dubai's price growth has been dramatically higher, shattering records, whereas Abu Dhabi's rise has been modest and gradual.

Exhibit 3: UAE residential prices have broadly scaled their 2014-peak in nominal terms



Source: Bank for International Settlements, and ADCB Asset Management

Key drivers of property prices in Dubai and Abu Dhabi

Several fundamental drivers explain the UAE's real estate surge, especially Dubai's outperformance, in recent years:

- ▷ **Inflow of wealthy buyers and residents:** Dubai's reputation as a safe haven amid global uncertainty has drawn international capital. For example, Arabian Business cites investors from conflict-affected regions pouring in – Russians became the top foreign buyers in 2022 as Dubai provided a sanctuary from sanctions and instability. As per S&P Global, the emirate's population jumped from 3.3 million in 2020 to about 3.7 million by end-2023 and is projected to reach 4.0 million by 2026. This strong immigration and expatriate influx has boosted housing demand at an unprecedented pace.
- ▷ **Pro-business policies and visa reforms:** Government initiatives have significantly bolstered investor confidence. The introduction of long-term "Golden Visas" and other residency reforms since 2021 made it easier for expatriates to settle and invest. These changes sparked a surge of interest

from high-net-worth individuals (HNWIs) and encouraged long-term foreign residents to buy homes in the UAE. Visa stability and business-friendly regulations, alongside Dubai's zero income tax, have enhanced the UAE's appeal for global investors.

- ▷ **Robust economic growth and post-pandemic recovery:** The UAE's economy rebounded quickly from the pandemic shock, thanks to effective COVID responses and diversification. Dubai's decisive reopening and the success of Expo 2020 helped revive tourism and trade, energizing real estate demand. The UAE economy expanded 7.5% in 2022 and c4% in 2023 and 2024, supporting job growth and incomes. High oil prices in 2022-2023 also improved regional liquidity and investor sentiment. Overall, a booming economy and the government's development initiatives (such as Dubai's "D33" economic agenda and 2033 Real Estate Strategy) have created a fertile backdrop for property investment.
- ▷ **Surging rental market and yields:** A concurrent spike in rents has made buying more attractive for residents. Dubai rents have risen sharply amid the influx of people, and average rental yields were around 7% – exceptionally high by global standards. With rents becoming costlier, many residents chose to purchase homes rather than continue renting. The strong rental yields also lured investors, as returns on Dubai property outstrip those in many major cities in Europe or Asia.
- ▷ **Global investor appeal for "affordable luxury":** Despite recent price gains, Dubai's real estate (especially in the luxury segment) is cheap relative to other world cities. Knight Frank research shows USD1mn buys roughly 1,130 square feet of prime property in Dubai – about five times the space it would buy in Hong Kong and three times that in London or Singapore. This considerable value-for-money, alongside the city's high quality of life, has attracted international buyers from across the globe. Ultra-rich investors from Europe, Asia, and the Middle East see Dubai as offering comparative bargain prices for second homes or investments. In addition, low taxes and safe-haven status make the UAE a preferred destination for diversifying wealth.
- ▷ **Constrained Supply (untill 2025):** Dubai's rapid demand recovery initially met a relatively tight supply of move-in-ready properties, especially in prime areas. Developers had slowed projects during the 2015-2020 downturn, so new supply lagged when demand roared back. In the luxury villa segment, for example, only a handful of new units were added in recent years, creating an undersupply amid booming interest. This imbalance gave sellers the advantage, fueling price hikes. Even as developers have since launched a wave of projects (with record off-plan sales in 2022-2024), there is a lead time for deliveries, and construction capacity constraints have delayed some completions. The result was a period of tight inventory that helped home values surge.
- ▷ **Dominance of cash transactions:** Unlike many Western housing markets, Dubai's is not highly mortgage-driven – a large share of sales are in cash or developer financing for off-plan deals. Consequently, the spike in global interest rates over 2022-2023 had a limited cooling effect on demand. This insulated the market from the affordability crunch seen in countries where buyers are reliant on bank loans. In Abu Dhabi too, mortgages play a smaller role than in markets like the US or UK. The higher-for-longer interest rate environment did temper some end-user demand (especially for middle-income buyers), but overall UAE property activity remained robust because cash-rich investors and end-users led the charge, according to S&P Global.

All in all, strong population growth, increasing foreign investment, supportive policies, a thriving economy, high rental returns, and a period of limited supply all combined to drive UAE real estate prices upward. These factors have been most acutely felt in Dubai, resulting in unprecedented growth, while Abu Dhabi's more local, steadier market has seen a milder version of the upswing.

International price comparisons and global context

Dubai's meteoric property price growth stands out starkly against international trends. In many advanced economies, surging inflation and interest rate hikes in 2022-2023 cooled real estate markets, leading to flat or falling home prices. For instance, New Zealand, Canada, and parts of Europe saw prices dip as borrowing costs spiked, according to the World Property Journal. Globally, the average increase in prime city housing prices was only about 2-3% in 2023, and several major cities (London, San Francisco, Hong Kong, etc.) experienced minor declines or stagnation as per Knight Frank's Prime Global Cities Index. Dubai bucked this global trend – while elsewhere home values have dropped amid surging interest rates and a darkening growth outlook, Dubai's prices soared against the headwinds. In fact, Dubai was the world's fastest-growing major housing market in 2023. It led Knight Frank's global city index with an

expected 14% annual rise in prime residential prices for 2023 (on top of a remarkable 44% jump the year before). By comparison, the next best performers – cities like Miami, Paris, and Tokyo – were forecast around 4% growth or less.

Despite these gains, Dubai real estate is often described as still relatively affordable on the world stage. Overall house prices (on a price-per-square-foot basis) remain lower than in most tier-1 cities. As of Q3'24, the average transaction price in Dubai's mainstream market was about USD360/sq.ft for secondary homes, according to Global Property Guide. Prime properties, while pricier, offer far more space for the money compared to cities like New York, London, or Hong Kong. This price advantage, coupled with higher rental yields (commonly 5-8% in Dubai vs. 2-4% in London or New York), means investors can attain better cash flow and value from Dubai real estate. Additionally, the price-to-income ratios for housing in the UAE are lower than in places such as Hong Kong, Singapore, or the UK, indicating better affordability for residents. All these factors positioned the UAE as an attractive market internationally. In 2022-2023, Dubai saw strong demand from European, Asian, and Middle Eastern investors, outpacing many traditional global investment havens, as per data from Knight Frank.

However, the UAE's outperformance has also prompted questions about sustainability compared to other markets. With global interest rates possibly peaking and economic uncertainties persisting, some international analysts wonder if Dubai's boom will moderate to align more with global trends. So far, unique local dynamics have kept it on a different trajectory than other prime housing markets. In contrast, Abu Dhabi's property market has behaved a bit more in line with typical fundamentals, with slower growth akin to the moderate increases seen in many global cities. In essence, Dubai's real estate boom has been an outlier on the world stage, both in scale of growth and in resisting the downturn forces that have affected other markets.

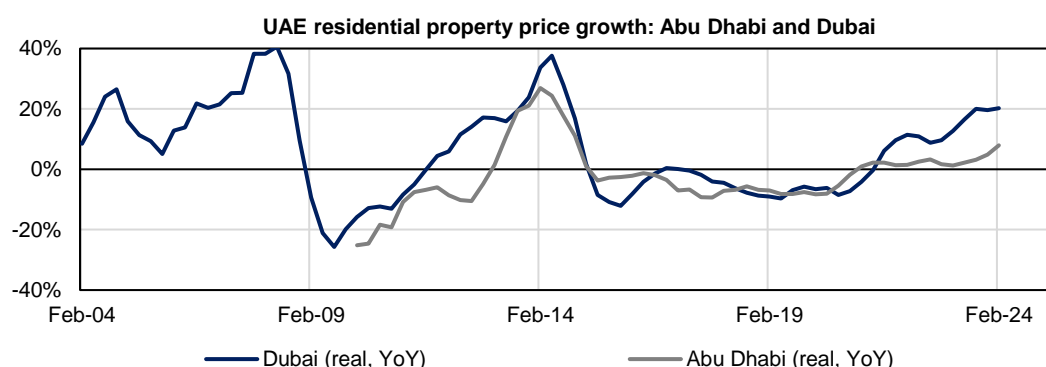
Dubai vs. Abu Dhabi: Diverging real estate trajectories

The twin real estate markets of Dubai and Abu Dhabi have diverged significantly in recent years, despite operating under the same macro backdrop. Dubai's boom has been far more pronounced, driven by international factors, whereas Abu Dhabi's growth has been steadier and more domestic in nature.

- ▷ **Price growth:** Dubai's home prices have shot up roughly 60% in the span of 2022 through early 2025. By contrast, Abu Dhabi's cumulative price growth over the same period is much smaller. From 2021 to 2024, Dubai saw annual increases of ~9%, ~10%, ~20%, and ~19%, whereas Abu Dhabi logged roughly 1-2%, 1-2%, ~8%, and ~10% in those years, according to Global Property Guide. In 2023 alone, Dubai values jumped about 20% while Abu Dhabi's were essentially flat on average, according to CBRE. This means the gap between prices in Dubai and Abu Dhabi has widened, with Dubai's index reaching new highs while Abu Dhabi only recently edging closet to its pre-pandemic levels.
- ▷ **Market activity and investment base:** The scale and nature of transactions also underline the divergence. Dubai's real estate market is much larger and more liquid – it recorded over AED524bn in sales value in 2024, attracting institutional investors, funds, and tens of thousands of individual buyers from abroad. Abu Dhabi's market, while sizable for the region, is smaller and more locally driven, with total sales of about AED48bn in 2024, according to Global Property Guide. Investor profiles also differ: Dubai's buyer pool is highly international (with Europeans, Russians, Indians, Chinese, and others actively purchasing), whereas Abu Dhabi's buyers are more often UAE nationals, local residents, and long-term GCC investors. This international interest has made Dubai more prone to speculative spikes and rapid cycles, whereas Abu Dhabi has remained closer to an end-user market with more measured price changes.
- ▷ **Economic drivers and industry mix:** As the UAE's financial and tourism hub, Dubai benefits from sectors like hospitality, finance, and trade – when these sectors thrive, they draw more expatriates and property investors. Abu Dhabi's economy is anchored by oil & gas and government sectors, which means its real estate fortunes are closely tied to public spending and the local employment of government-linked entities; this is of course changing as diversification progresses at a rapid pace. During the 2021-2024 period, Dubai's tourism and business recovery post-COVID was exceptionally strong, feeding into property demand, while Abu Dhabi's progress was steady but less spectacular. Additionally, Expo 2020's impact was centered in Dubai, giving it an extra post-pandemic boost that Abu Dhabi did not experience to the same extent.

- ▷ **Supply and development:** Dubai has seen a flurry of new project launches in the past two years, from beachfront luxury towers to suburban villa communities. Off-plan sales in Dubai jumped over 80% in 2022 and continued at record levels in 2023-24. Abu Dhabi's development pipeline has been more limited, with fewer grand-scale launches and a focus on specific areas (like Saadiyat Island, Yas Island, and Reem Island). In 2024, Abu Dhabi did attract new developers and announced a significant pipeline of future projects on Reem Island. But overall, the immediate supply surge is greater in Dubai, contributing to its boom but also raising the risk of a future glut. Abu Dhabi's housing supply growth has been slower, which helped prevent oversupply but also meant less speculative spikes.
- ▷ **Market volatility:** Historically, Dubai's real estate has been more volatile – it boomed in the mid-2000s then crashed in 2009, and had another cycle of growth in 2013-2014 followed by a correction through 2019. Abu Dhabi's market has generally moved in the same direction as Dubai's but with muted swings. The recent cycle underscores this: Dubai's post-2021 upswing was dramatically sharper. Abu Dhabi, with its more gradual appreciation, arguably offers stability but missed out on the heady gains seen in Dubai. This divergence reflects underlying market sentiment – global investors view Dubai as a high-growth opportunity, whereas Abu Dhabi is perceived as a stable, long-term market with fewer speculative frenzies.

Exhibit 4: Price growth of residential property has diverged meaningfully between Dubai and Abu Dhabi



Source: Bank for International Settlements, and ADCB Asset Management

In essence, while both emirates have benefitted from the UAE's overall prosperity, Dubai's real estate has been supercharged by international capital, tourism, and a construction boom, leading to rapid price inflation. Abu Dhabi's property market has grown at a slower pace, influenced more by local fundamentals and cautious expansion. These differences may continue to shape the two cities' property outlooks in distinct ways.

Outlook for the next year: Moderation ahead

Looking forward into 2025 and 2026, it is reasonable to anticipate a cooling of UAE real estate growth, particularly in Dubai, as the market transitions from frenzy to a more sustainable pace. A consensus is forming that Dubai's red-hot rally will moderate, with the possibility of a price correction on the horizon, even as Abu Dhabi is expected to maintain gradual growth. Key factors shaping the outlook include the supply pipeline, interest rate environment, and ongoing demand drivers:

- ▷ **Potential supply surge and price correction in Dubai:** The single biggest factor expected to weigh on Dubai's prices is the wave of new supply set to hit the market. After two years of frenzied project launches, units are now reaching completion. According to Fitch Ratings, around 250,000 new residential units are scheduled for delivery between 2023 and 2026, with an unprecedented 120,000 units in 2026 alone. This is roughly double the pace of the past few years. Fitch Ratings projects that this supply glut will outstrip Dubai's demographic growth (population is forecast to grow ~5% annually, much slower than housing stock). By late 2025, the market is expected to tip in favor of buyers. Accordingly, Fitch Ratings warned that Dubai home prices could fall by up to 15% from their peak during the second half of 2025 into 2026. Similarly, S&P Global and Moody's foresee a stabilization or slight decline in prices over the next 12-18 months as the excess supply is absorbed. In essence, the days of 20% annual price jumps are likely over; a "moderate correction" of perhaps

10-15% is increasingly viewed as a healthy breather for the market after the huge run-up. However, this projected dip is not expected to spiral into a severe crash – Fitch Ratings emphasizes that a drop of no more than 15% would be manageable and would “not destabilize the market or impact credit ratings” of major banks and developers.

- ▷ **Market resilience and soft landing factors:** There are reasons to believe any correction will be orderly. Developers and banks are financially healthier now than in past cycles. Developers have strong cash flows from robust off-plan sales, and UAE banks have reduced their exposure to real estate lending. This provides a buffer against market stress, and Fitch notes that both are well-positioned to weather a moderate downturn without systemic issues. Additionally, prime locations may hold value better – top-tier neighborhoods like Palm Jumeirah or Downtown have limited new supply and a clientele of long-term investors, making them more resilient to price drops. Another mitigating factor is the likelihood of project delays: the sheer volume of construction has already strained capacity, and reports indicate a significant portion of planned units aren’t being delivered on time. In 2024, only about 58% of the projected new homes were actually completed, as contractors faced constraints, according to Fitch Ratings. Such delays could stretch out the supply influx, preventing a sudden glut and easing downward pressure on prices. In the near term it is reasonable to expect prices to plateau rather than plummet, given still-strong demand and the tendency of developers to stagger handovers. Indeed, some real estate consultancies like JLL continue to predict ongoing growth in sale prices, albeit at a more moderate rate in the coming year.
- ▷ **Continued demand and economic support:** On the demand side, the fundamental attractions that drove the boom remain in place. The UAE’s economy is projected to grow a solid c4-5% in 2025 and 2026 (on IMF estimates), and population inflows are set to continue, owing to the country’s expanding visa programmes and relative stability in a turbulent region. Geopolitical uncertainties (e.g. regional tensions) are a wildcard – historically, Middle East turmoil has often benefited the UAE as a safe haven, bringing more inflows of people and capital, according to S&P Global. If that pattern holds, Dubai and Abu Dhabi could yet see demand exceeding expectations. However, if global or regional crises escalate unpredictably (as with recent conflicts), there could be an adverse impact on investor sentiment, tourism, and expatriate growth. Barring major shocks, steady end-user and investor demand (both local and foreign) is expected to help cushion the market. Additionally, any easing of interest rates (we expect 3 rate cuts from the Fed in 2025) could improve mortgage affordability slightly and boost buyer confidence in 2025, though mortgages remain a minority financing method in the UAE.
- ▷ **Abu Dhabi’s real estate outlook:** In Abu Dhabi, the outlook is generally stable to positive. Having not experienced the same level of overheating, Abu Dhabi is less exposed to a correction. Supply in the capital is set to grow gradually, and new developments (e.g. on Reem Island and other investment zones) are coming on line in a measured way. In our view, Abu Dhabi’s real estate sector is well positioned for growth in the short to medium term, supported by a growing number of developers entering the market and continued economic strength in the emirate. Prices in Abu Dhabi are therefore likely to hold steady or see mild growth through 2025. The key tailwinds are government spending on infrastructure, high oil revenues bolstering the economy, and the city’s efforts to attract more expatriates and diversify its economy. That said, Abu Dhabi’s demand is also tied to end-user affordability; if interest rates remain high for longer, marginal buyers could be cautious, keeping price growth moderate. But overall, a scenario of gentle growth or consolidation (rather than decline) is foreseen for Abu Dhabi, in contrast to Dubai’s anticipated correction.

Conclusion

The UAE real estate market is entering a new phase. Dubai, after an exceptional boom, is expected to cool down with a possible price dip as a surge of new homes become available and the market self-corrects from a feverish peak; spillover effects are likely to be very limited. Abu Dhabi should see a more muted, steady path forward, continuing its gradual rise without major turbulence. The underlying long-term fundamentals remain strong – the UAE’s status as a safe, globally connected, business-friendly hub with high quality of life will continue to attract people and capital. As such, even with a short-term correction, the broader outlook remains positive.

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