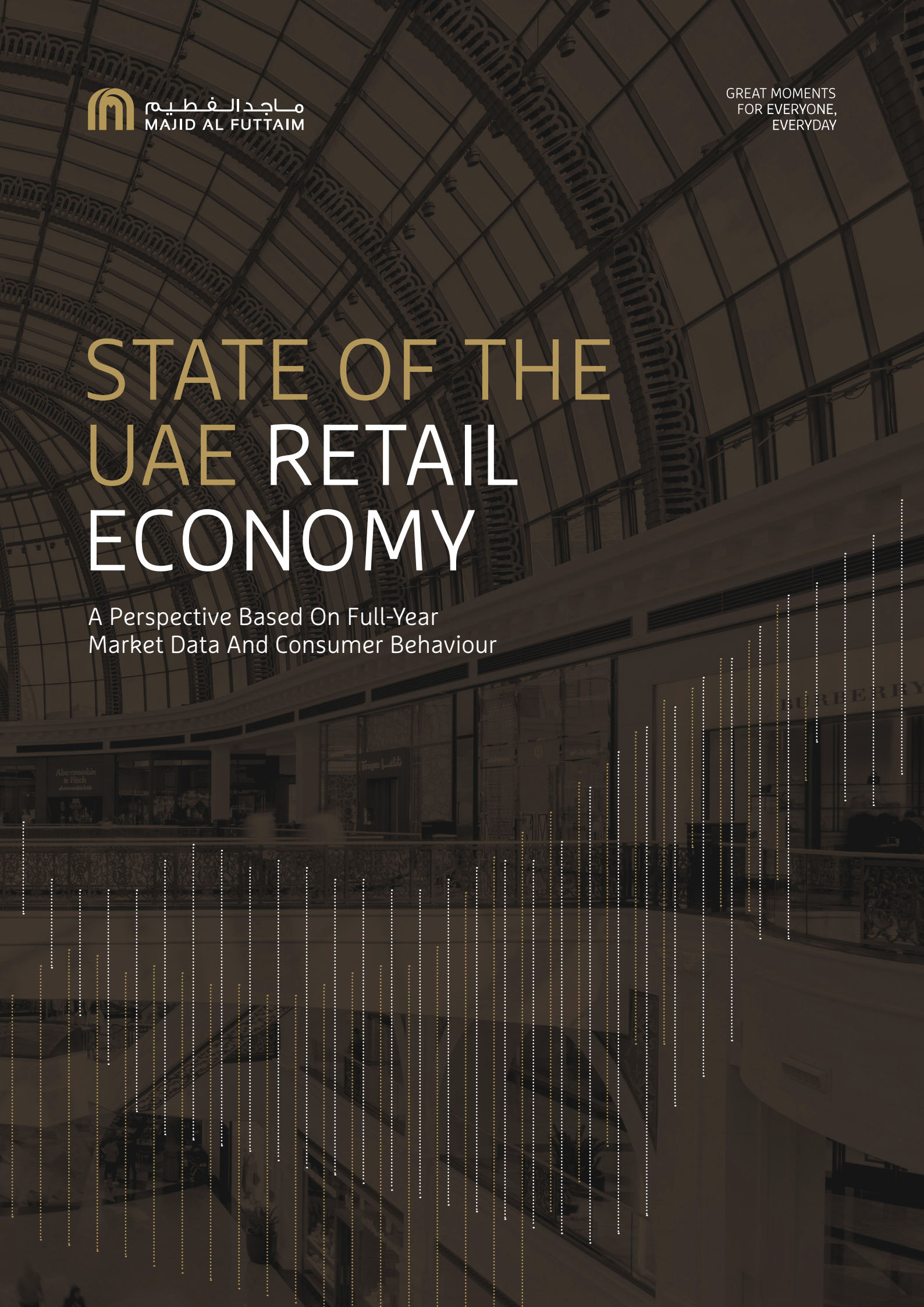


# STATE OF THE UAE RETAIL ECONOMY

A Perspective Based On Full-Year  
Market Data And Consumer Behaviour



# Table of Contents

Introduction from the CEO.....	2
Headline Findings.....	3
UAE Economic Overview And Outlook .....	5
The UAE Retail Economy: A Deep Dive .....	10
UAE E-Commerce And Growing Digital Economy.....	21
Travel and Tourism Back On Track.....	24
Real Estate Goes From Strength to Strength .....	27
Conclusion .....	30
Methodology And Sources .....	32
Endnotes.....	34

# Introduction from the CEO



**Ahmed Galal Ismail**  
Chief Executive Officer

If one was to summarise the qualities that continue to enable the UAE to thrive despite the social and economic upheaval that assails the region and beyond, resilience, a clear vision and an ethos of progressive thinking must be at the top of the list.

From hosting COP28 in the last quarter of 2023, to the World Trade Organisation's 13th Ministerial Conference in January this year, the UAE is solidifying its position as a global convener of governments, international organisations and businesses and a hub for driving positive change in the world.

For those of us fortunate enough to call the UAE home, its position as an international platform for collaboration and cooperation will come as no surprise and more of a direct reflection of the Nation's success in building domestic models for sustainable economic growth and social development.

In emerging as a regional lighthouse for long-term prosperity, the UAE has created an environment where global talent, investment, trade and commerce can thrive. This is no more obvious than within the retail economy, where consumer confidence continues to drive high spend and outpace global trends in segments that span from real estate to luxury goods.

That is not to say the UAE is utterly immune to the global impact of elevated inflation and interest rates, however what is certain is that its clear vision, near-term ambitions and focus on creating the right structures and policies to enable them both, has seen the United Arab Emirates rightly recognised and elevated as the true pearl of the Middle East.

# Headline Findings

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- According to Oxford Economics,<sup>5</sup> **GDP in the UAE grew by 3% in 2023**, primarily driven by **the robust performance of the non-oil sector which grew by 5.6%**.<sup>5</sup> The outlook for 2024 remains positive with a forecast of 4.3%.<sup>5</sup>
  - In 2023, **oil GDP decreased by 3.8%** due to a decline in average oil prices compared to the previous year,<sup>5</sup> with production cut by 0.14 million barrels per day<sup>47</sup> in line with OPEC requirements.
  - **Last year saw the UAE reduce inflation from its 2022 high of 5.2%**.<sup>38</sup> This continued to remain lower than global and regional benchmarks throughout the year, at an average of 3.3%, below the global median of 6.9% and considerably lower than the Middle East average of 13.9%.<sup>38</sup> Oxford Economics forecasts this trend will continue through 2024 dropping to 2.8% by the end of 2024 which is expected to further stimulate spend.<sup>5</sup>
  - **Throughout 2023, interest rates saw a cumulative increase of 100bps**, stabilising at 5.4%.<sup>39</sup> Forecasts vary as the US Federal Reserve considers its response to any drop on inflation rates and the consequent impact on mortgage rates and associated real estate activity.
  - **Overall UAE consumer spending rose by 13% in 2023 compared to 2022**,<sup>16</sup> driven by a 12% increase in spending within the non-retail economy (government services, airline tickets, petrol, and gas stations, education, etc.) and a 14% increase in the retail spending economy (hypermarkets/supermarkets, retail general, leisure & entertainment & fashion).
  - Overall **e-commerce penetration in the UAE has more than doubled since 2019 to 12%**<sup>16</sup> with mobile phones accounting for around 70% of transactions.<sup>24</sup>
  - 2023 was a stellar year for the travel and tourism sector with **tourist numbers surpassing pre-pandemic levels for the first time**.<sup>33</sup> Dubai hosted more than 17 million international visitors, an increase of 19% versus 2022, contributing to record high **hotel occupancy rates of 77%** in 2023 up from 73% in 2022.<sup>33</sup>
  - **Continued economic momentum positively impacted Dubai's real estate market** through the year, which **registered over 114,000 transactions, an increase of 18% on 2022**.<sup>40</sup> The value of the transactions grew by 39% over the same period, reaching AED 370 billion.<sup>40</sup>
  - The UAE continues to introduce policies to attract and retain talent, contributing to securing the **first-place position in the Middle East in the Global Talent Competitiveness Index**.<sup>36</sup>
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# UAE Economic Overview And Outlook

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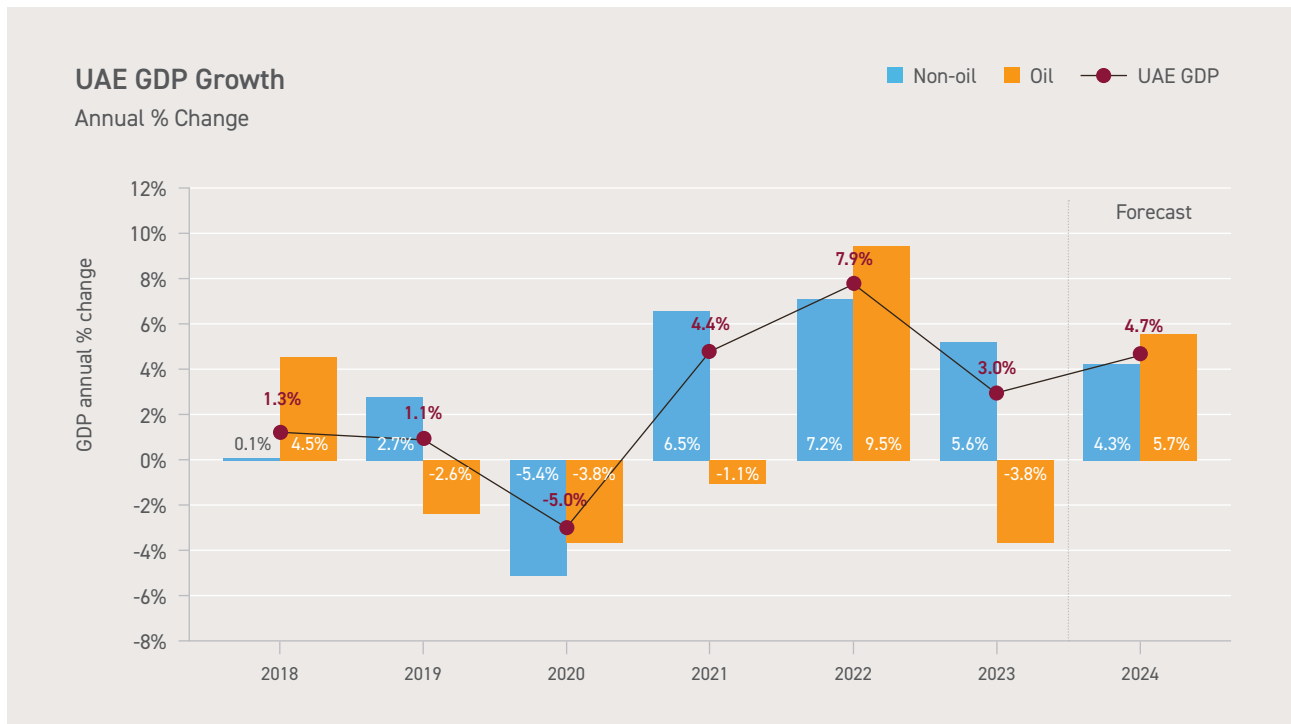


2023 saw the UAE economy demonstrate resilience and growth despite ongoing regional and global challenges such as geopolitical instability, market volatility, and the looming threat of global recession. Bolstered by factors such as inward foreign investment, tourism, domestic confidence, strategic initiatives, and international economic agreements, the Nation's robust 2031 vision spanning social, economic investment, environment and development prosperity look to be firmly within reach.

Oxford Economics<sup>5</sup> reports a positive impact of 3% uplift in GDP over 2023, supported by a robust performance from the non-oil sector, which grew by 5.6%. Reflecting OPEC caps on production, the oil sector declined by 3.8% over the same period.

It is expected this policy is likely to spill into 2024 where oil production is forecasted to fall in the first quarter by a further 0.16 million barrels,<sup>47</sup> equivalent to around 5% of the 2023 average daily output.<sup>1</sup>

Looking ahead, Oxford Economics projects the total economy to grow by 4.7% over 2024, highlighting the positive impact of the country's focus on economic diversification, in order to reduce its reliance on the oil sector to 30%.<sup>5</sup>



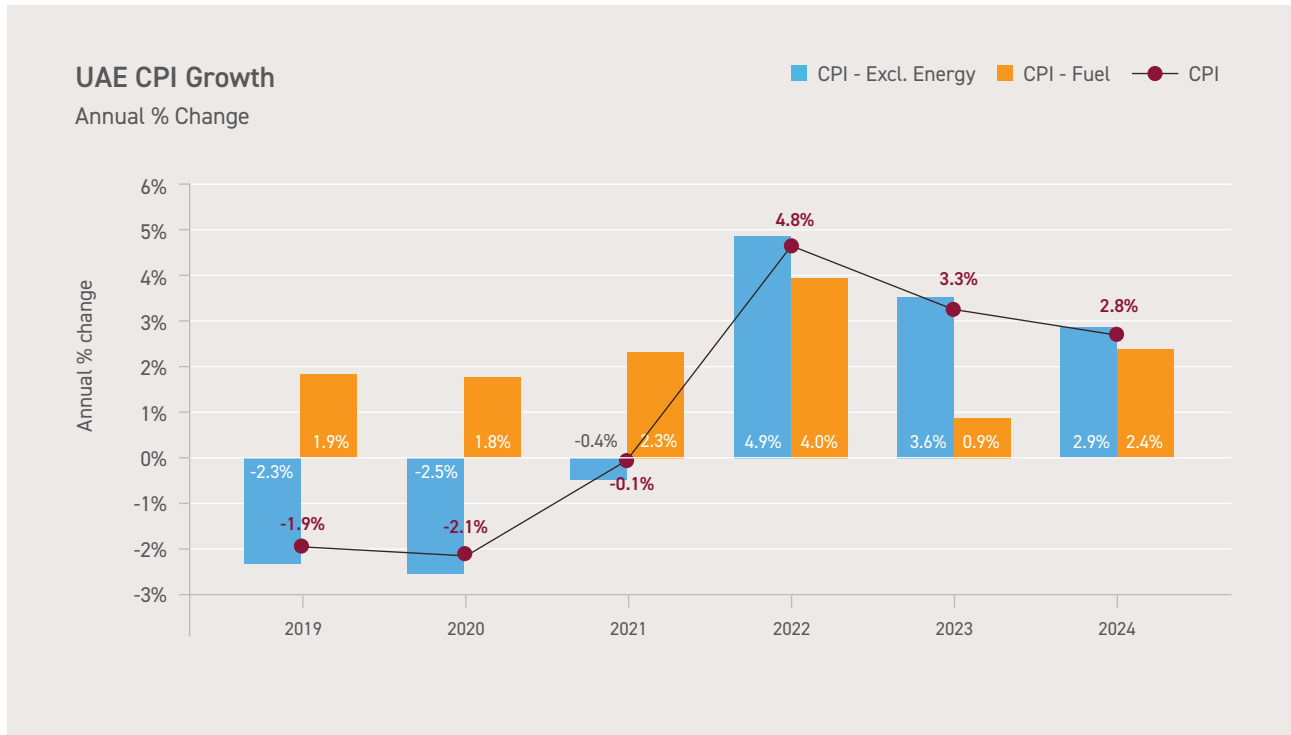
Implementation of a series of trade agreements and other federal initiatives boosted performance of non-oil sectors through 2023. The Comprehensive Economic Partnership Agreement (CEPA) with Türkiye in September 2023 is already being seen to pay dividends, contributing to the doubling of trade between the two countries since being implemented. The agreement is the UAE's 26th CEPA, and an important pillar in building the Nation's position as a global trade and logistics hub and driving trade of non-oil goods and services.<sup>6</sup>

Anchored in the UAE's business-friendly environment and supporting infrastructure, FDI has continued to flow into the country. 2023 saw the UAE record the second-highest increase in foreign investment projects around the world after the US, seeing a 28% jump compared to 2022.<sup>7,12</sup>

Initiatives such as NextGen FDI<sup>8</sup> play an instrumental role in bolstering the private sector's contribution to GDP, the impact of which has been a 9.1% year-on-year increase in the number of privately-held businesses in the country, supporting both employment growth and purchasing power.<sup>9</sup>

This growing confidence in the non-oil sector is reflected in the Purchasing Managers' Index (PMI),<sup>11</sup> with the UAE's average PMI for the year 2023 at 56.1 (+0.9pts vs 2022). This outcome reflected the steady growth trajectory observed through the year, with PMI peaking at 57.4 in December, the second-highest reading since June 2019.<sup>11</sup> This growth underlines the robust state of the UAE's non-oil sector, indicating significant increases in both output and new business.





Source: IMF

Interest rates in the UAE continued to climb in 2023 but at a lower rate than the previous year, before stabilising in the second half as the Central Bank of the UAE (CBUAE) continued to monitor US levels. Since early 2022, the US Federal Reserve has sharply raised interest rates by a total of 525 basis points to reduce inflation and stabilise spending in the economy.<sup>56</sup> However, since July 2023, the Fed has chosen to hold the policy rate at 5.25 - 5.5%, pausing expected rate reductions. S&P predicts that interest rates will drop by around 1% in the second half of 2024. Following the Fed's example, the CBUAE has kept its base rate at 5.4%.<sup>57</sup>

Inflation in the UAE remained low compared to global and regional benchmarks.<sup>38</sup> At 3.3%, the UAE remains 3.6 percentage points (ppt) below the world average, 1.4ppt below advanced economies, and 10.6ppt below the Middle East.

A large portion of the fall in UAE inflation from 4.8% in 2022 was driven by the reduction in oil prices, where the consumer price index (CPI) recorded a drop of 3.1ppt between 2023 and 2022. The non-oil economy's inflation, reflected by the CPI excluding energy, fell from 4.9% in 2022 to 3.6% last year. Oxford Economics expects commodity prices such as oil and food to have less of an effect on inflation in 2024, resulting in an average inflation of 2.8%.<sup>5</sup>

It is worth noting that throughout the year, CPI recorded 1.4% in January 2023 and gradually increased to 5.3% in December 2023. The 3.3% increase was mainly driven by substantial hikes in housing, water, electricity, and gas costs (5.7%) and a significant increase in food and beverage prices (4.6%) which make up about 52% of the total Index.<sup>55</sup>

Inflationary Movements Across Consumer Spending Buckets – 2023	Weight (Consumer spending basket)	Beginning of year 2023	Mid-Year 2023	Year End 2023	Avg. FY'23
<b>General Index</b>	<b>100.0%</b>	<b>1.4%</b>	<b>2.7%</b>	<b>5.3%</b>	<b>3.3%</b>
Housing, water, electricity, gas and other fuels	40.7%	2.9%	5.2%	8.7%	5.7%
Food and beverages	11.7%	2.8%	4.4%	5.7%	4.6%
Transport	9.3%	-8.7%	-7.2%	-5.8%	-5.4%
Education	8.2%	0.4%	1.5%	3.8%	2.0%
Restaurants and accommodation services	6.1%	3.9%	1.8%	8.1%	3.7%
Information and communication	<b>5.7%</b>	0.3%	0.3%	0.5%	0.4%
Personal care, social protection and miscellaneous goods and services	<b>5.1%</b>	2.3%	2.5%	3.0%	2.6%
Clothing and footwear	<b>5.0%</b>	3.1%	3.4%	5.6%	4.0%
Furnishings, household equipment and routine household maintenance	<b>3.5%</b>	7.9%	7.9%	8.5%	8.1%
Recreation, sport and culture	<b>2.4%</b>	0.0%	2.4%	5.9%	2.7%
Insurance and financial services	<b>1.3%</b>	0.8%	5.0%	9.4%	6.4%
Health	<b>0.9%</b>	0.7%	0.7%	0.8%	0.7%
Tobacco	<b>0.3%</b>	-7.1%	-7.1%	-7.1%	-7.1%

Source: Dubai Statistics

# The UAE Retail Economy: A Deep Dive

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The Gold Souk, Deira

It’s fair to say that the UAE has become synonymous with an unparalleled retail experiences, offering a diverse range of world-class shopping malls, luxury boutiques, hotels, restaurants, and experiences to an international consumer base. The country’s vibrant retail landscape has long been on a steep growth trajectory and this trend continued in 2023 as factors including tourism and consumer confidence drove increased spending.

Overall UAE consumer spending rose by +13% in 2023 compared to 2022, driven by a 14% increase in the retail economy (inc. hypermarkets and supermarkets, retail general categories, leisure and entertainment, and fashion) spending and a 12% increase in non-retail spending in areas such as real estate services (+100%), petrol and gas stations (+28%), transportation, (+57%) and airlines (25%).<sup>16</sup>

Sector Performance Summary Retail Economy	% Of Retail Economy Spending	% Growth 2023 vs 2022	% Growth H1'2023 vs H1'2022	% Growth H2'2023 vs H2'2022
<b>Total Retail Economy</b>	<b>100%</b>	<b>14%</b>	<b>25%</b>	<b>4%</b>
Retail general categories (F&B, hotels, electronics, pharmacy, duty-free)	38%	16%	29%	4%
Hypermarket/supermarket	33%	3%	5%	0%
Fashion	26%	31%	63%	9%
Leisure & Entertainment (cinemas, recreational activities, tourist attractions)	3%	15%	15%	15%

Majid Al Futtaim POS data, 2022 to 2023



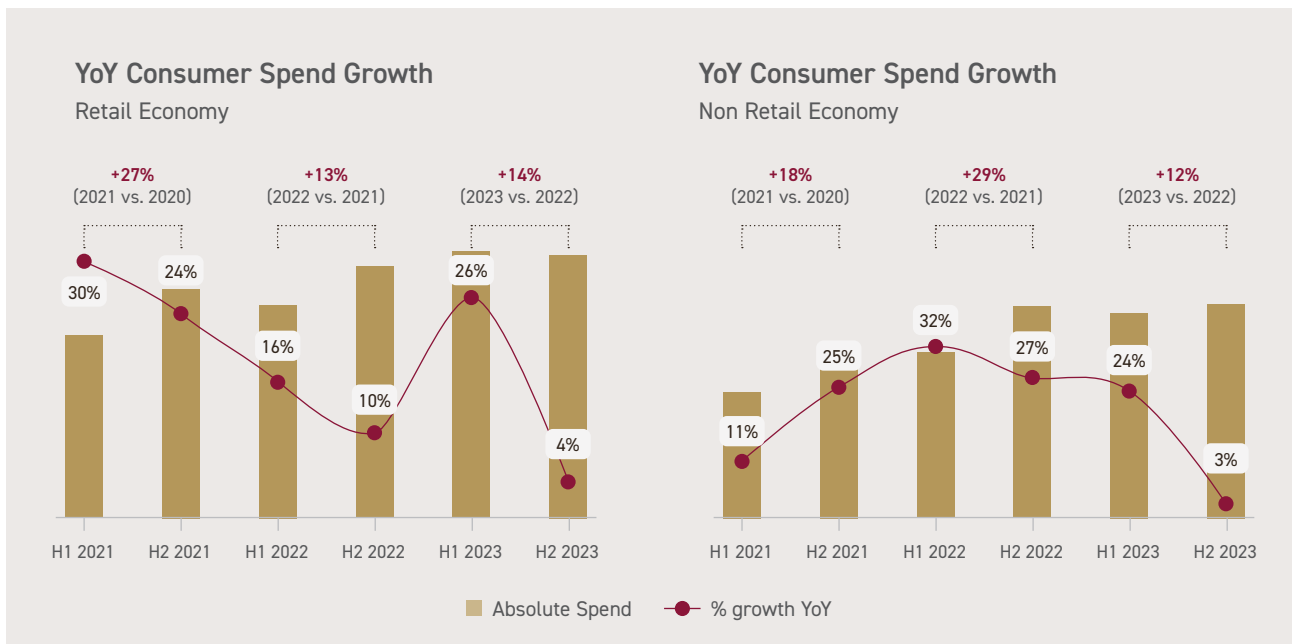
Expo City

Consumer spending in the retail economy displayed robust growth throughout the year, with the absolute consumer spend in 2023 split evenly across the first half and the second half of the year.

The highest growth in spend compared to 2022 came in the first half of 2023, due to the higher base effect from the previous year’s FIFA World Cup, which had given impetus to consumer

spending as a result of a surge in tourists in the second half of 2022.<sup>16</sup>

Overall, spending remained buoyant throughout 2023 but stood out in the final quarter<sup>16</sup> (contributing to 27% of all retail economy spend for the year), attributed to COP28, which attracted tens of thousands of visitors to the country, in addition to traditional seasonal spend.



Source: Majid Al Futtaim POS data, 2021 to 2023

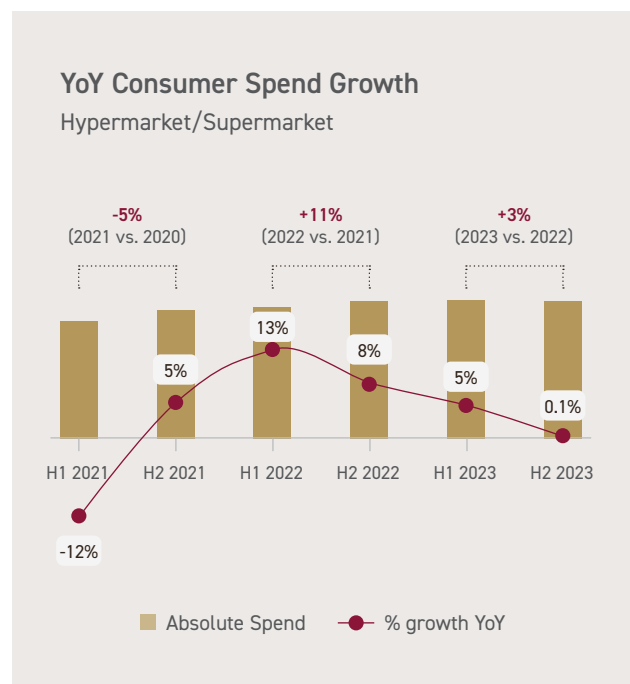
## Hypermarket & Supermarket Sector Highlights



Carrefour, City Centre Deira

In 2023, spending in the hypermarket/ supermarket sector grew by 3%. Spending in the first half of the year was up by 5% on the year while in the second half, consumer spend came in line with the same period last year.<sup>16</sup>

Growth in the sector was primarily driven by a 19% hike in e-commerce and digital sales, while spending in physical stores remained steady, mirroring the previous year's spend level. Despite the digital surge, brick-and-mortar stores continued to dominate the market, accounting for 85% of total sector spending.<sup>16</sup>



Source: Majid Al Futtaim POS data, 2021 to 2023.

Note: A decline of 5% in 2021, compared to 2020, resulted from heightened consumer spending during the pandemic, particularly as consumers were stockpiling groceries.

Sector Performance 2023 Hypermarket/Supermarket	% Growth 2023 vs 2022	% of Consumer Spending	% Growth Contribution
Brick and mortar	0%	85%	0%
Ecommerce	+19%	15%	100%
<b>Total hypermarket/supermarket</b>	<b>+3%</b>	<b>100%</b>	<b>100%</b>

Majid Al Futtaim POS data, 2021 to 2023

Consumers have continued to prefer smaller basket sizes while making more shopping trips, following the previous year’s pattern. Consumers were seen splitting their buying between in-store and online, looking for the best deals while limiting the number of products purchased on each trip, whether virtual or actual.<sup>17</sup>

Average spending fell by 2% per basket in 2023 while the number of transactions grew by 4%.<sup>17</sup>

Majid Al Futtaim’s Happiness Lab data shows a growing appreciation for discount shopping. According to its latest survey,<sup>18</sup> 47% of respondents preferred purchasing discounted items, while 20% would switch to cheaper brands, in a continuation of the previous year’s trend towards cost conscious purchasing. The survey also found 52% of respondents consistently pay attention to fluctuations in prices, a 3ppt increase from 2022.



Carrefour, Mall of the Emirates

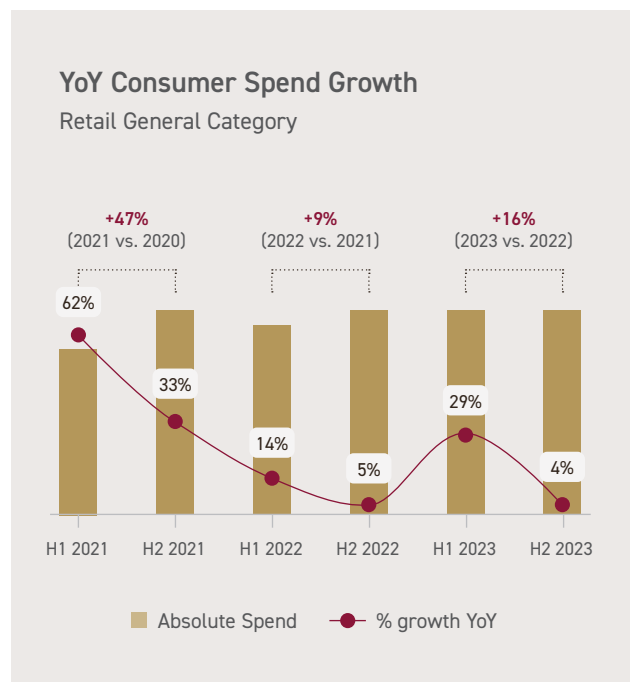
## Retail General Sector Highlights



Boon Cafe, Mall of the Emirates

The retail general categories saw a considerable uptick in consumer spend through 2023, and a 16% increase compare to the year before. The most significant year-on-year increases were in electronics (33%), food & beverage (F&B) (25%) and hotels (17%). F&B contributed most to the sector’s growth with 41%, followed by hotels (35%) and electronics (9%).<sup>16</sup>

Hotels set a new benchmark of success with world-leading occupancy rates of 77% in 2023 and building on the previous year’s record highs<sup>33</sup>. Dubai itself reported hosting 17.2 million overnight stays in 2023, a 19% increase on 2022 and surpassing pre-pandemic visitor levels.<sup>33</sup>



Source: Majid Al Futtaim POS data, 2021 to 2023.

Note: Consumer spending in this sector witnessed consistent growth year-over-year with 2021 showcasing the highest upswing of +47% primarily due to the reduced spending observed during the 2020 pandemic period.



Sector Performance 2023 Retail General Categories	% Growth 2023 vs 2022	% of Consumer Spending	% Growth Contribution
F&B	+25%	28%	41%
Hotels	+17%	32%	35%
Others (including duty-free)	+5%	28%	9%
Electronics	+33%	4%	8%
Pharmacy & Health	+12%	8%	6%
<b>Total</b>	<b>+16%</b>	<b>100%</b>	<b>100%</b>

Source: Majid Al Futtaim POS data, 2021 to 2023

The growth in electronics spending was spurred by a major reset in retail and wholesale prices. There was also evidence of price stabilizing and even falling below or matching 2022 levels as prices for high-demand smartphones launches from Samsung and Apple remained stable. UAE tech retailers were also competitive offering promotions on smart phones and laptops in November and December.<sup>20</sup>

E-commerce’s 13%<sup>16</sup> contribution to sector spending reflects a continuation of the broader momentum toward online purchases and spurred by dropping retail prices, enhanced digital literacy, and an increase in mobile orders.



Crate & Barrel, Mall of the Emirates

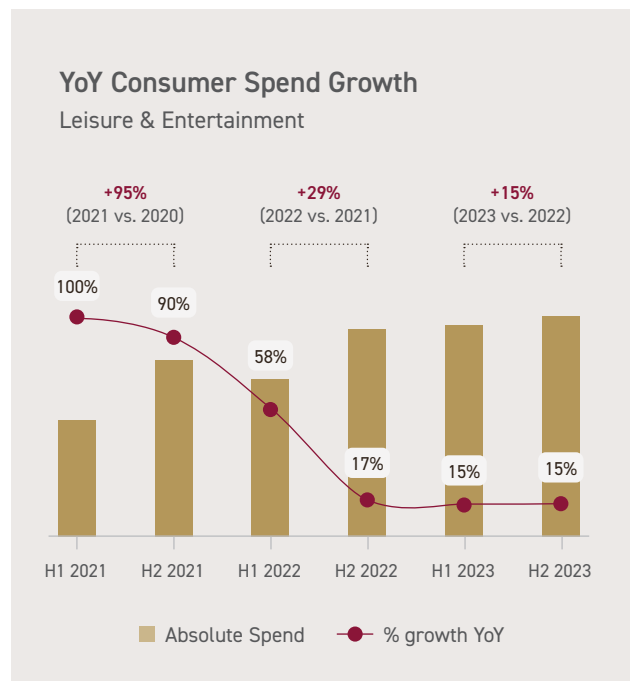
## Leisure & Entertainment Sector Highlights



Ski Dubai, Mall of the Emirates

The leisure and entertainment sector continued to grow with spending rising by 15% from the previous year, with a 33% rise in cinema spending driving more than two-thirds of this growth.<sup>16</sup>

Cinema spending was primarily fueled by high consumer spending in Q2 and Q3 which accounted for 90% of cinema’s total spend growth.<sup>16</sup> This period coincided with the release of several top-performing blockbuster movies, including Oppenheimer, Barbie, Mission Impossible: Dead Reckoning, Fast X, The Super Mario Bros and Jawan.<sup>21</sup>



Source: Majid Al Futtaim POS data, 2021 to 2023

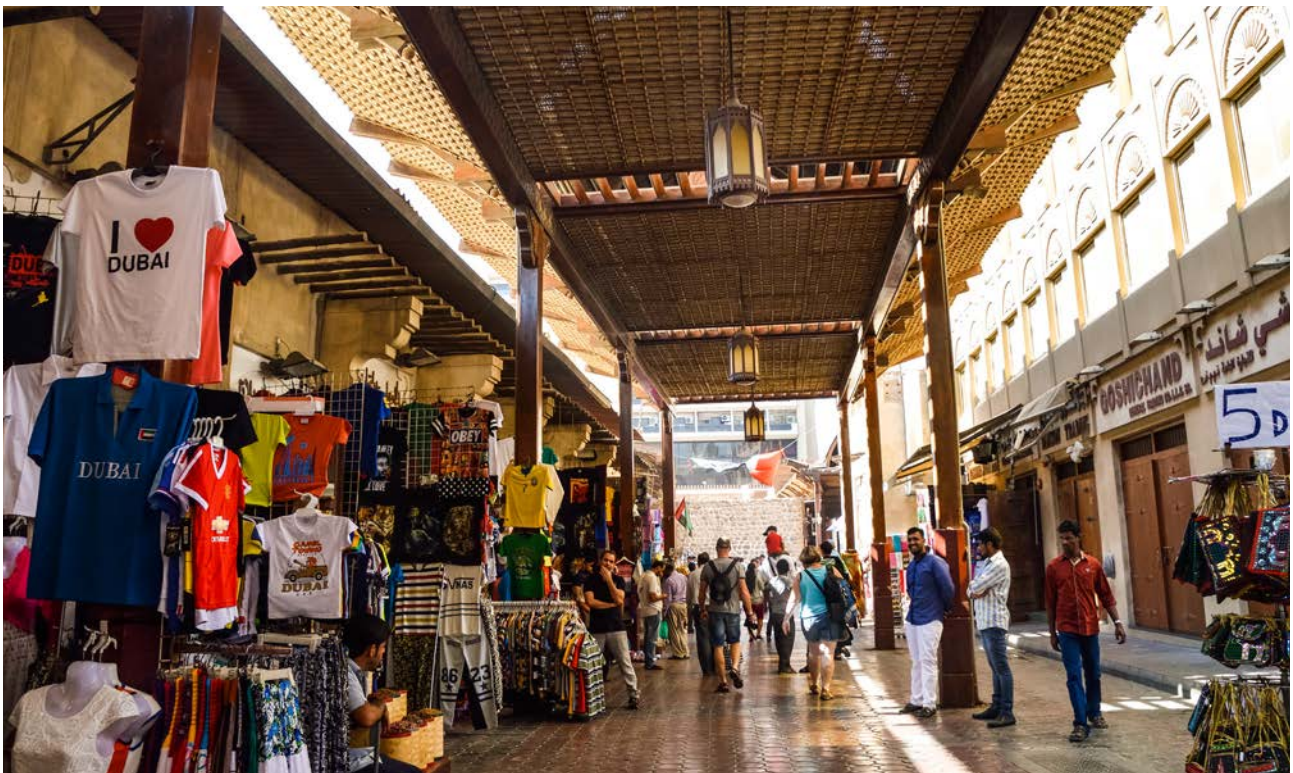
Sector Performance 2023 Leisure & Entertainment	% Growth 2023 vs 2022	% of Consumer Spending	% Growth Contribution
Recreational Activities & Tourist Attractions	+4%	44%	27%
Cinemas	+33%	66%	73%
<b>Total Leisure &amp; Entertainment</b>	<b>+15%</b>	<b>100%</b>	<b>100%</b>

Source: Majid Al Futtaim POS data, 2021 to 2023

Growth in spending on recreational activities and tourist attractions saw a modest increase of 4%.<sup>16</sup> While tourist spending in these categories increased, analysis of resident spending reveals a drop in spend on recreational and tourist attractions in the second half of the year, compared to the first half of 2023. It appears this reduction was caused partly by residents travelling abroad in this period. The Majid Al Futtaim Happiness Lab Survey<sup>18</sup> corroborates this observation, showing 79% of residents planning

holidays away from home, a 5ppt increase on the previous year.

The survey also suggested strong appreciation among respondents for indoor leisure activities. More respondents were planning visits to shopping destinations (9%) and cinemas (10%) than in the previous year's.<sup>18</sup> There was also an 11% increase in mall footfall in 2023 compared to the previous year.<sup>22</sup>



Textile Souk, Bur Dubai

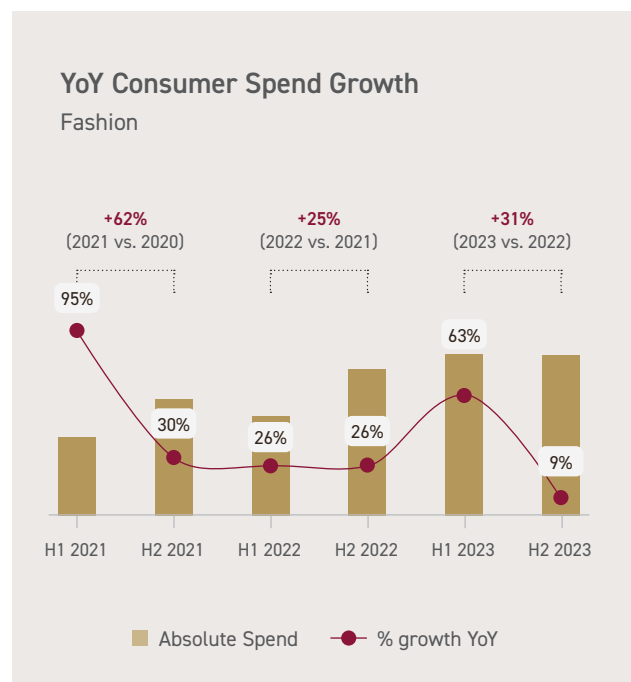
## Fashion Sector Highlights



THAT Concept Store, Mall of the Emirates

An influx of tourists, promotional sales, and the annual Dubai Shopping Festival were among the factors that contributed to a consumer spend increase of 31%. Growth in the sector was driven by increased spend in fashion and accessories of 36% and watches and jewellery of 25%.<sup>16</sup>

Fashion sector spending experienced a notable increase of 63% in the first half of the year, significantly higher than 9% recorded in the second half.<sup>16</sup> Despite consistent spend levels across both halves, lower growth in the second half was influenced by the exceptionally high spending levels observed in the same period of the previous year.



Source: Majid Al Futtaim POS data, 2021 to 2023

Sector Performance 2023 Fashion	% Growth 2023 vs 2022	% of Consumer Spending	% Growth Contribution
Fashion & Accessories	+36%	50%	57%
Watches & Jewellery	+25%	50%	43%
<b>Total fashion</b>	<b>+31%</b>	<b>100%</b>	<b>100%</b>

Source: Majid Al Futtaim POS data, 2021 to 2023

The first two quarters of 2023 made up 82% of the year-on-year surge, including spending at the Dubai Shopping Festival and multiple sales.<sup>16</sup>

Tourist spending in the sector increased by 64% compared to 2022. It continues to grow as a percentage of total fashion spending and represents 23% of the total, up from 19% in 2022, 16% in 2021 & 11% in 2020.<sup>16</sup>

The growth outlook for 2024 within the sector looks promising as the region continues to be seen as a “haven of growth” for fashion. It is expected that the luxury market will continue to expand thanks to the rising tourist numbers and a thriving e-commerce marketplace.



THAT Concept Store, Mall of the Emirates

# UAE E-Commerce And Growing Digital Economy

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The e-commerce boom ignited by the lockdowns of COVID-19 continues to transform the way we retail, spurred by consumers continuing to enthusiastically buy online.

Thanks to its world-class logistics and advanced digital infrastructure, the UAE was quick to pivot to the boom and has become a stronghold for e-commerce in the years since 2020s lockdowns.

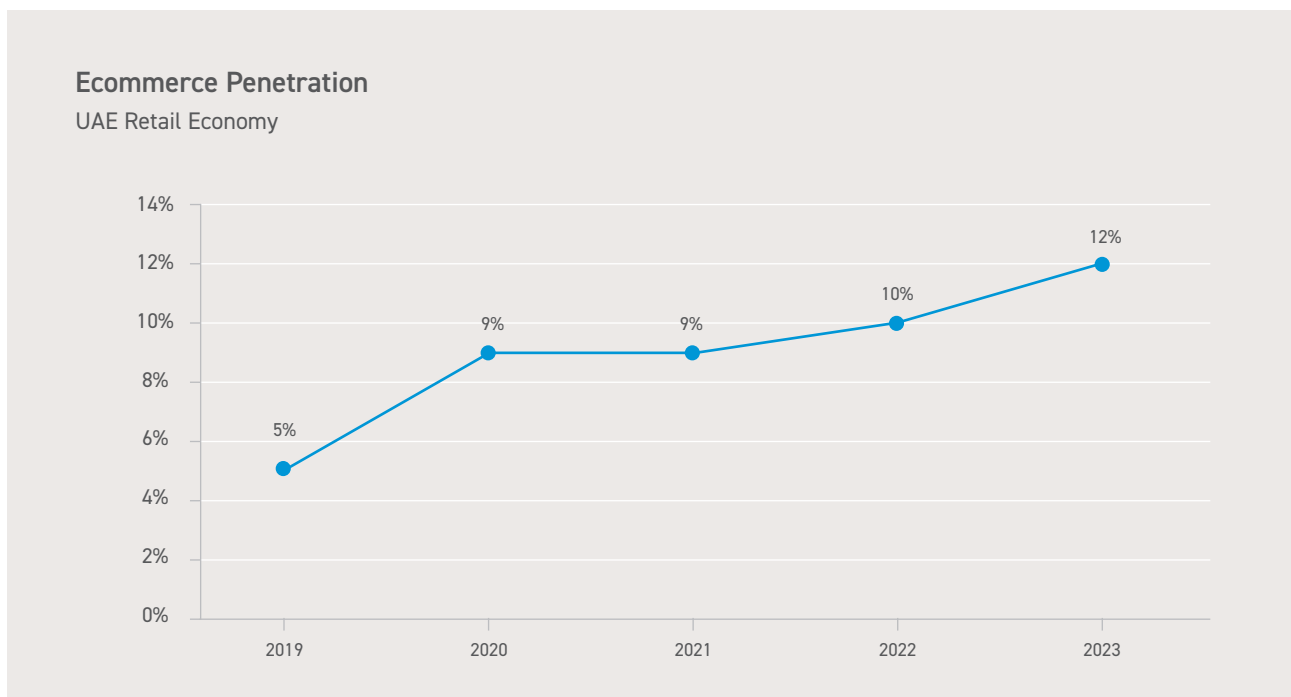
The country's e-commerce market is supported by an ambitious Digital Economy Strategy, which aims to double the contribution of the digital economy to GDP from 9.7% in 2022 to 19.4% by 2032.<sup>23</sup>

Now the 27th largest e-commerce market in the world, it is expected revenues will rise to \$17.2 billion by 2027 at a compound annual growth

rate of 8.4%.<sup>24</sup> E-commerce penetration in the UAE has more than doubled since 2019, rising from 5% in 2019 to 12% in 2023<sup>16</sup> with around 70%<sup>24</sup> sales made on mobile phones.

This trend is supported by a strong fintech sector in the UAE and digitally savvy consumers. A study by Dubai Economy and Visa in 2023, revealed that 61% of respondents favour digital wallets for online payments.<sup>25</sup> This momentum aligns with Dubai Economic Agenda D33, which aims to position Dubai among the top four global financial hubs by 2033.

Majid Al Futtaim POS data<sup>16</sup> reveals a 15% increase in e-commerce consumer spending in the UAE retail economy in 2023. The e-commerce sector's share of the country's retail economy rose from 10% in 2022 to 12% in 2023.



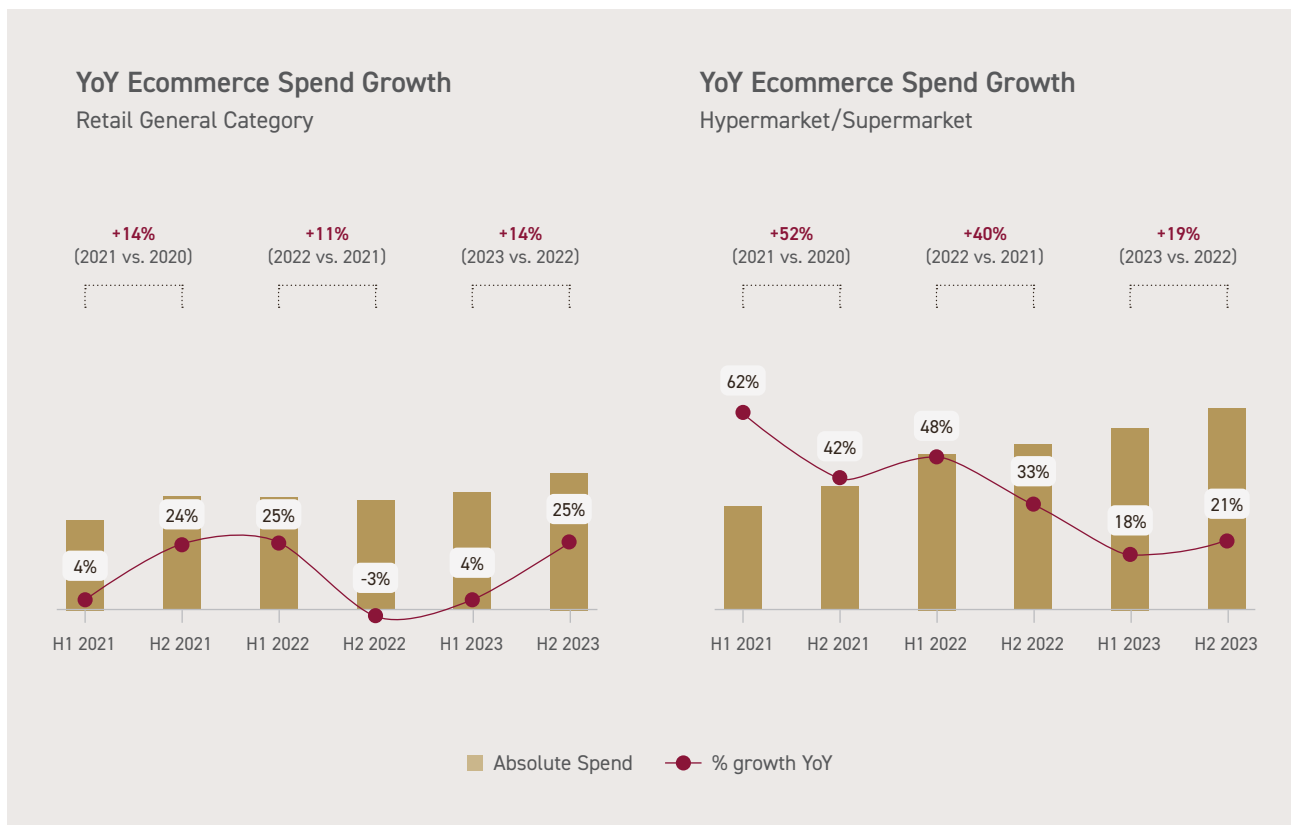
Source: Majid Al Futtaim POS data, 2019 to 2023

The majority of the e-commerce spend growth was driven by increases in consumer spending within hypermarkets/supermarkets (+19%) and retail general categories such as food & beverage (+57%), electronics (+271%), and hotels (+10%) in 2023 compared to 2022. These two sectors account for 73% of total ecommerce spends in the economy, up from 72% in 2022.

Despite the ongoing growth of e-commerce, physical stores maintain their stronghold, and figures suggest an omnichannel approach is a winning strategy. Consumers strongly advocate for a smooth blend of both online and offline shopping experiences, underscoring the significance of accessibility in both realms.

Insights from the Majid Al Futtaim Happiness Lab survey<sup>18</sup> reveal that around 43% of respondents prefer an equal split between online and in-store shopping for specific products.

Notable percentages include personal care products (52%), clothing and fashion (52%), household cleaning items (47%), and packaged food & beverage (50%). However, for fresh food and produce, a majority (60%) express a preference for in-store shopping. This nuanced understanding highlights the significance of tailoring retail strategies to accommodate diverse consumer preferences.<sup>2</sup>



Source: Majid Al Futtaim POS data, 2021 to 2023



# Travel and Tourism Back On Track

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Terminal 3, Dubai International Airport

Tourist numbers increased across all seven emirates last year, with more than half (53%) of international visitors coming from Western Europe, South Asia, and the GCC.<sup>33</sup> Of particular note was the swell in tourists visiting from China, which rose by 287% compared to 2022, highlighting the UAE's pulling power when it comes to the fastest-growing international markets.

Dubai International Airport reported its highest quarterly traffic in Q3 since 2019 with the first nine months of the year witnessing a 39% surge in passenger traffic, reaching an estimated 86.8 million by year end.<sup>29</sup>

The increased aviation activity was matched in hotel occupancy rates, which climbed to 77% in 2023 up from 73% in 2022.<sup>33</sup> This surpassed the pre-COVID levels of 75% recorded in 2019.

Revenue per available room, grew by 6% with hotel guests staying an average of 3.8 nights throughout 2023, maintaining a robust pattern just below the 3.9 average recorded in the corresponding period in 2022 and surpassing the 3.4 nights reported in 2019.<sup>33</sup>

While millions travel to the UAE, findings from the Majid Al Futtaim Happiness Lab survey<sup>18</sup> suggest that 64% of residents are contemplating international travel this year. Additionally, about 43% intend to embark on domestic trips, indicating the enduring appeal of staycations—a trend that gained traction during the COVID-19 pandemic and seems likely to endure.

Overall, Dubai hosted 17.2 million overnight international visitors in 2023, a 19% increase on the same period in 2022 and surpassing pre-pandemic figures.<sup>33</sup>

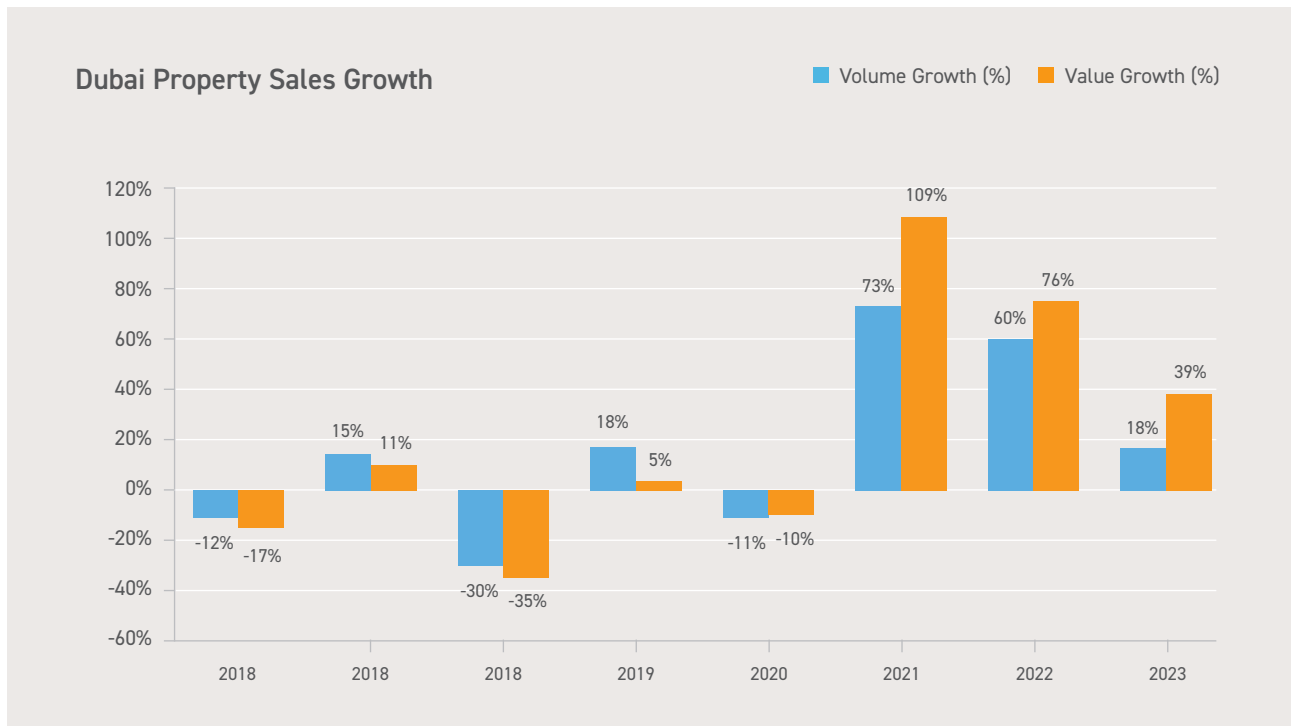
Having been ranked the world’s most popular destination in TripAdvisor’s 2023 Travellers’ Choice Awards for the second consecutive year,<sup>58</sup> it would appear Dubai’s lure is set to continue with Oxford Economics forecasting international overnight visitors to the UAE will increase by around 15% in 2024.



Source: DTCM, 2019 to 2023 report

# Real Estate Goes From Strength to Strength

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Source: Dubai Land Department

Following a strong performance in 2022, the UAE real estate market continued to break records with property sales transactions being at an all-time high in terms of both volume and value in 2023.<sup>40</sup> Overall, property transactions in 2023 grew by 18% compared to 2022, netting a phenomenal volume of 114,000+, making it again another record year while the value of these sales grew even faster at a rate of 39%, reaching AED 370 billion.<sup>40</sup>

According to Dubai Land Department statistics,<sup>43</sup> secondary market transactions amounted to 56% and off-plan purchases stood at 44%, the same as in 2022. Whilst mortgage-based sales accounted for 29% of the total transactions in 2023 (+4% compared to 2022); these transactions outpaced the growth in cash transactions significantly, growing by 39% vs 11% growth in cash sales.

Apartment sales continued to dominate the market accounting for 72% of total transactions in the year. That said, we have also observed that villa purchases have increasingly become popular amongst investors with sales growing by nearly two and a half times since 2020.

Dubai continued to see a rapid increase in property prices, growing by over ~19% annually in 2023, making it the second-fastest growing real estate market in the world.<sup>41</sup> In contrast, the global average for property price growth has been stagnant at a near-decade low of 3-4%. Despite this most recent surge, experts believe that the market is not overheating, with prices still 25% below their 2014 peak.

CRBE<sup>45</sup> data shows average prices grew by 18.9% in 2023. Over this period, average apartment prices increased by 18.3% and average villa prices by 22.2%. By the end of the year, average apartment prices reached AED 1,374 per square foot, while average villa prices reached AED 1,679 per square foot.

CBRE also noted higher levels of activity in the luxury homes market with the number of sales of properties worth more than AED 5 million

and AED 10 million in Dubai were 10,296 and 3,806, up 54.5% and 68.4% from a year earlier. Off-plan sales in both segments accounted for 67.2% and 70.8% of total transaction volumes, respectively.<sup>53</sup>

Ranked by UBS's Global Real Estate Bubble Index as one of the world's safest markets,<sup>46</sup> Dubai's strong economic growth and the influx of wealthy migrants contribute to its sustained double-digit real-estate growth.



Source: CBRE Research/REIDIN

# Conclusion

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Sheikh Zayed Grand Mosque, Abu Dhabi

The steep challenges faced by many countries around the world in 2023 failed to alter the UAE's upward trajectory, with all major indicators – from GDP to consumer spending – demonstrating continued progress. Retail, tourism, and real estate continue to benefit from unshakable fundamentals rooted in economic diversification, and as such the UAE enters 2024 as a model of stability and prosperity. Businesses, industries, and talent around the world have acknowledged the UAE's resilience during this period of global uncertainty, leading to heightened confidence among consumers and investors.

Government policies such as expanding eligibility criteria for visas for high-net-worth individuals and workers alike, continue to see those around the region and beyond, eager to make the UAE their home.

With inflation and interest rates forecast to start falling by the end of the year, residents could see greater financial freedom, further enhancing domestic demand for goods and services.<sup>44</sup> The result of these factors is already plain to see in the country's booming retail, real estate, and tourism sectors.

The strong economy and increased consumer spending have also played a part in how people in the UAE view their lives, with 91% of people describing themselves as "happy" or "very happy" in a Majid Al Futtaim Happiness Lab survey.

This positive trend translates into even stronger consumer confidence and purchasing power, due in part to fading inflation and the dirham's strength against foreign currencies. In 2024, residents and visitors will enjoy new festivals, entertainment, experiences, and opportunities as the country targets accelerated sustainable development and greater prosperity.



# Methodology and Sources

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The Louvre, Abu Dhabi

Majid Al Futtaim's Consumer and Business Insights (CBI) Initiative has authored this report. It draws on the following main sources:

- The Happiness Lab – Majid Al Futtaim's Market Research Online Community in its three main markets: the UAE, Saudi Arabia, and Egypt. The Happiness Lab has a total of 80,000 members who regularly participate in various types of consumer surveys.
- Over 1.3 billion point-of-sale (POS) transactions totalling more than AED 278 billion from over 5 million shoppers from multiple sources (Majid Al Futtaim's data and POS data). We estimate that our sample covers approx. 10-15% of the economy's total transactions and can therefore be extrapolated with some caution.

**All insights need to be considered through the inherent biases of the data.** Other sources are quoted individually and reflected in the endnotes.

# Endnotes

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