



دائرة الأراضي والأموال  
Land Department



# Dubai Commercial Property Price Indices

Commercial, Office and Retail Indices

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United Arab Emirates | November 2021

# Commercial Market Overview

## Introduction

The Dubai Commercial Property Price Index (CPPI) has been created in partnership with Dubai Land Department (DLD) and JLL. It is the sole commercial price index in Dubai, which uses official transactions data recorded by the DLD to provide a broad measure of movement in sale prices for properties classified as commercial. It aims to provide valuable insights to investors and corporates on commercial property price trends in Dubai.

## Market Overview

Around 2,845 commercial property transactions worth AED 33.9 billion were recorded by the Dubai Land Department (DLD) in Q3 2021. Transaction volumes were up 1% when compared with the preceding quarter and stood 34% higher year-on-year. These figures demonstrate that 2021 saw a significant pick-up in sales activity in this sector when compared with last year.

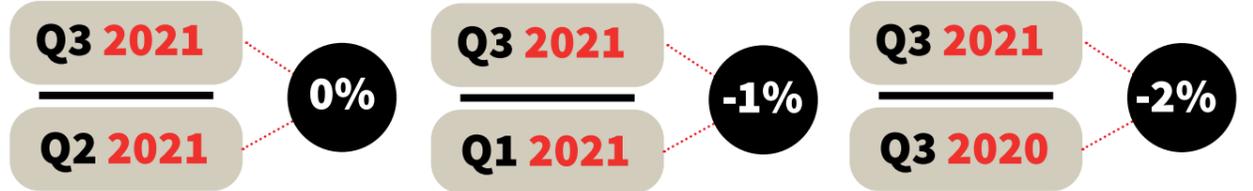
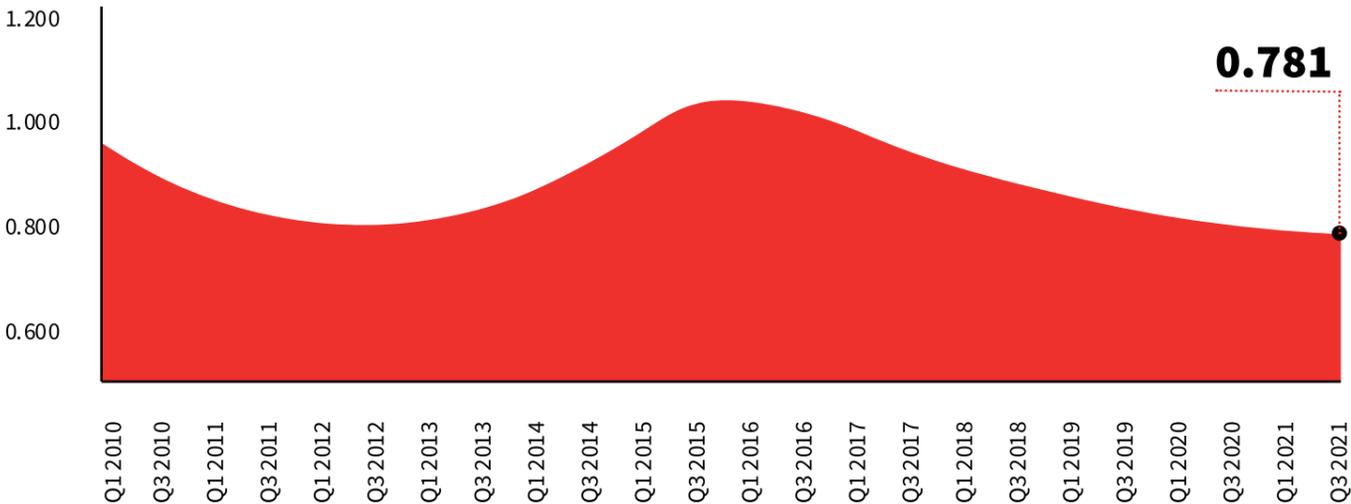
Sale transactions, which represent cash-bought commercial properties, accounted for the largest proportion of the overall volume of transactions registered in the third quarter of 2021. Indeed, this element accounted for 74% of the total figure, followed by mortgages at 18% and gifts at 2%. Meanwhile, the value of mortgage transactions equated to AED 20.3 billion in Q3 2021 – double that of cash transactions. This means that the relatively small volume of sales completed using mortgage finance were high-value commercial property transactions which have high dependency on financing options.

Ready (existing) properties accounted for 86% of transaction volumes in Q3 2021. Off-plan sales comprised the remaining 14%. In terms of value, ready properties represented the vast majority (98%) of total transactions recorded between July and September of this year. This suggests that buyers showed a strong preference for completed, and thus ready-to-occupy, commercial properties in Dubai.

Around 88% of the total volume of transactions in the third quarter of 2021 comprised properties located in freehold areas. Business Bay took the lead, recording 367 transactions, and was followed by Jabal Ali First (279 transactions) and Al Thanyah Fifth (209 transactions). In terms of value, freehold areas represented 68% of total transactions. Marsa Dubai was the most popular area in this context, recording transactions worth AED 4.9 billion. Palm Jumeirah took second place at AED 3 billion and Al Kheeran ranked third at AED 2 billion.

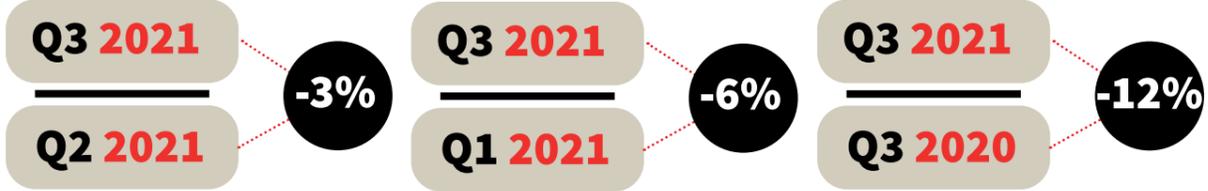
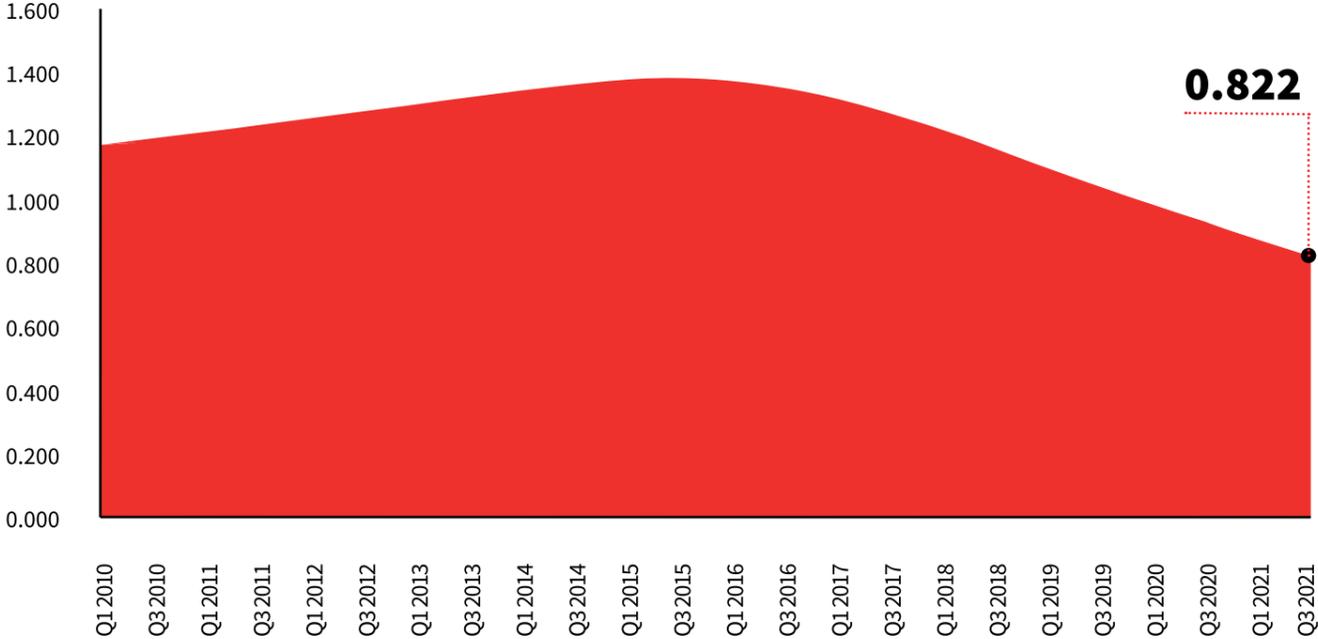
## Dubai Commercial Property Price Index

In Q3 2021, the Dubai Commercial Property Price Index posted a value of 0.781 – flat when compared with the preceding quarter, but down 2% in annual terms. The higher volume of transactions and a stabilisation in prices on a quarterly basis points to an improvement in market sentiment.



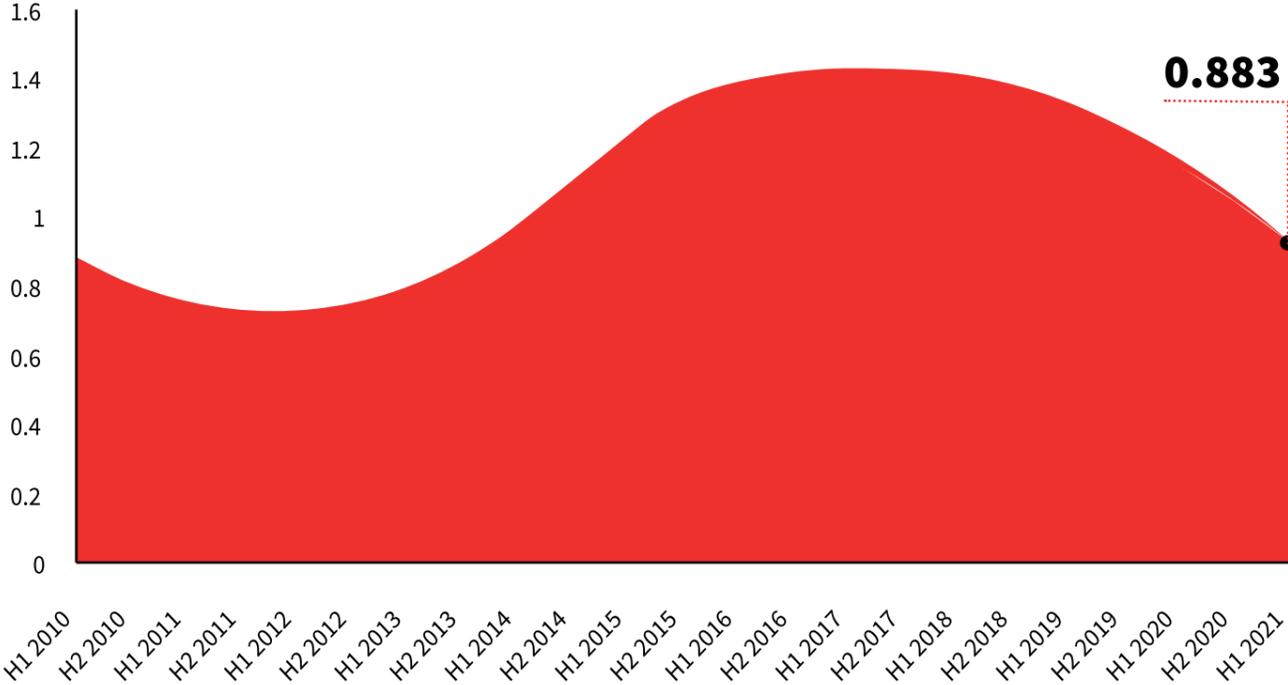
### Dubai Office Property Price Index

The Dubai Office Property Price Index recorded a value of 0.822 in the third quarter of 2021. This represented a decrease of 3% when compared with the preceding three months and a 12% decline year-on-year. An imbalance between supply and demand, especially for Grade B and C office space in the emirate, has broadly been responsible for the index trending down.



### Dubai Retail Property Price Index

Dubai's Retail Property Price Index registered 0.883 in the first half of 2021 – down 12% when compared with the second half of 2020. Although the oversupply of retail floorspace was largely responsible for the index changing course in 2017-18, the impact of the pandemic – which led to a shift in consumer habits – likely helped apply further downward pressure on this sector. That said, a combination of a successful vaccination drive, a reduction in daily cases and a gradual return of tourists has helped provide some respite for Dubai's retail sector.



**H1 2021**  
**H2 2020**  
**-12%**

**H1 2021**  
**H1 2020**  
**-20%**



# Methodology

## Introduction

We have applied the hedonic price methodology to construct the Dubai Commercial Property Price Index (CPPI). The hedonic method is an effect method to utilize data and construct constant quality CPPIs for various types of property.

In compiling the hedonic price index, we have selected the characteristics approach. This approach runs separate regressions for all time periods and the index is constructed by making use of predicted prices based on the regression coefficients. This approach is more flexible than the time dummy variable approach as the implicit characteristics can vary over time.

The overall CPPI and the office index will be calculated on a quarterly basis, where as the retail index will be calculated on a semi-annual basis to provide regular insights about the commercial property market in Dubai

## Hedonic Imputation Approach

The three most common Hedonic Imputation Approaches for indices are Laspeyres, Paasche and Fisher. Each method differs slightly, but ultimately the Hedonic Imputation indices use the property characteristics to adjust the changes in the property prices over time, evaluated at fixed characteristics, based on the hedonic regressions for all time periods. while Laspeyres type index evaluates the

current properties in period 't' giving the evaluated characteristics in period '0', which is a pessimistic approach. On the contrary, Paasche type index evaluates the properties in time period '0' giving the characteristics in period 't', which is an optimistic approach.

Giving the above nature of both Laspeyres and Paasche type indices, the Dubai commercial property price index is the geometric mean of both indices which produces a Fisher type index.

## Laspeyres Index

The Laspeyres type Index outputs period (t) prices for commercial properties belonging to the base period sample S(0), based on the attributes of that base period as means of measuring quality changes. Since it is also considered a base period weighted index, we can compare analysis over different periods.

The Laspeyres index is used to measure the change in prices of properties relative to a specific base period. This then allows us to measure the general price level of the market relative to the base period. This example of hedonic imputation Laspeyres index is regarded as a single imputation index where prices are unaffected.

$$P_{CPGL}^{0t} = \frac{\exp(\hat{\beta}_0^t) \exp[\sum_{k=1}^K \hat{\beta}_k^t \bar{z}_k^0]}{\exp(\hat{\beta}_0^0) \exp[\sum_{k=1}^K \hat{\beta}_k^0 \bar{z}_k^0]} = \exp(\hat{\beta}_0^t - \hat{\beta}_0^0) \exp\left[\sum_{k=1}^K (\hat{\beta}_k^t - \hat{\beta}_k^0) \bar{z}_k^0\right]$$

## Paasche Index

The Paasche type index also calculates the general price level of a market. However, the main difference between Laspeyres and Paasche, is that the Paasche type index uses current-period characteristics weightage as opposed to base-period quantity weightage.

The Paasche method involves assigning base period prices for the properties belonging to

the period t sample S(t), evaluated at period t characteristics. It is also known as a current period weighted index and reflects current trends.

The hedonic imputation Paasche index is an example of a single imputation index in which the observed prices are left unchanged. If the log-linear hedonic model holds true for all periods, t the quality-adjusted price Paasche index is defined as:

$$P_{CPGP}^{0t} = \frac{\exp(\hat{\beta}_0^t) \exp[\sum_{k=1}^K \hat{\beta}_k^t \bar{z}_k^t]}{\exp(\hat{\beta}_0^0) \exp[\sum_{k=1}^K \hat{\beta}_k^0 \bar{z}_k^t]} = \exp(\hat{\beta}_0^t - \hat{\beta}_0^0) \exp\left[\sum_{k=1}^K (\hat{\beta}_k^t - \hat{\beta}_k^0) \bar{z}_k^t\right]$$



## Fisher Index

The Fisher Index is considered a geometric mean of both the Laspeyres and Paasche indices. The advantage of this Index is that it allows us to balance both the positive price

bias of the Laspeyres Price Index and the negative price bias of the Paasche Price Index.

Considering the log-linear hedonic model remains true for all  $t$  periods, the Fisher Price Index is calculated as:

$$P_{\text{fisher}}^{0t} = \left[ P_{\text{laspeyres}}^{0t} P_{\text{paasche}}^{0t} \right]^{1/2}$$





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