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Opportunities and Challenges for Foreign Investors in Dubai's Real Estate Sector: A  
Comparative Analysis with Global Hubs

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## Abstract

This thesis examines the strategic opportunities and challenges for foreign investors in Dubai's real estate sector, emphasizing its unique advantages and vulnerabilities. Key opportunities include high rental yields, tax-free benefits, and robust infrastructure, while challenges such as regulatory uncertainties, market oversupply, and economic dependencies are critically analyzed. Comparative analysis with global hubs like Singapore and Hong Kong highlights Dubai's strengths, including accessibility and rapid growth, but also areas for improvement, such as affordable housing and regulatory stability. Recommendations include balanced urban planning and sustainable practices to enhance long-term competitiveness.

## Keywords

Real Estate Investment, Dubai Real Estate Market, Foreign Direct Investment (FDI), Urban Development, Global Investment Hubs

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## 1. Introduction

Dubai's real estate sector stands as a symbol of its meteoric rise from a modest trading port to a global city. Known for its skyline and groundbreaking infrastructure, the emirate has established itself as a hub for international investment. As a pivotal driver of economic diversification, real estate has played an integral role in shaping Dubai's global appeal, attracting foreign investment.

This thesis investigates the strategic opportunities and challenges faced by foreign investors in Dubai's real estate sector. The objective is to provide a comprehensive understanding of the market's advantages, while addressing critical challenges. By benchmarking Dubai against other leading global hubs such as Singapore and Hong Kong, the study aims to contextualize Dubai's position in the international real estate landscape and identify actionable strategies for sustained growth and competitiveness.

The research employs a mixed-methods approach, integrating quantitative analysis of market trends and foreign direct investment (FDI) data with qualitative insights from expert interviews. A key component of the research is a comparative analysis with Singapore and Hong Kong.

This study is structured to guide readers through a logical progression of analysis. The initial chapters introduce the determinants of real estate investment and provide an overview of Dubai's market evolution. Subsequent sections delve into regulatory frameworks, comparative insights, and an examination of opportunities and risks. The thesis concludes with strategic policy recommendations aimed at enhancing Dubai's long-term attractiveness as a global investment destination.

## 2. Methodology

This thesis adopts a mixed-methods approach, integrating qualitative and quantitative research to analyze Dubai's real estate sector. Quantitative methods examine key metrics, such as foreign direct investment (FDI) inflows, property prices, and rental yields. These are complemented by qualitative insights, including an expert interview with Loai Al Fakir CEO of Provident Real Estate and Daryna Arzamazova CEO of Forset Co, which provided valuable perspectives on market trends, regulatory practices, and investment strategies.

Secondary data, sourced from industry reports, regulatory documents, and academic literature, underpins the research. Case studies of major projects like Dubai Marina and Downtown Dubai illustrate how strategic urban planning and regulatory reforms influence market dynamics. This approach ensures a comprehensive analysis, highlighting both opportunities and risks for foreign investors.

Comparative analysis with Singapore and Hong Kong adds a global perspective, contrasting Dubai's tax-free, growth-driven model with the stability-focused approaches of these hubs. This comparison contextualizes Dubai's unique strengths while identifying areas for improvement, such as regulatory stability and housing affordability.

The inclusion of the expert interview enriched the research by offering first-hand insights into market operations and challenges. Combining diverse data sources and perspectives, this methodology provides a balanced and actionable understanding of Dubai's real estate sector, aligning with the needs of investors and policymakers.

### 3. Literature Review

The following section examines the key determinants influencing real estate investment, particularly within the context of Dubai. This exploration underscores the interplay of macroeconomic indicators, regulatory frameworks, and market dynamics that shape investor behavior and opportunities.

#### 3.1 Determinants of Real Estate Investment: Theoretical Framework

The determinants of real estate investment can be understood through theoretical frameworks that integrate macroeconomic indicators and contextual factors, providing a holistic view of market dynamics. Hepşen and Vatansever (2012) demonstrated that the Dubai Residential Property Price Index (DRPPI) exhibits long-term positive equilibrium relationships with macroeconomic indicators, such as gold prices and the volume of total foreign trade. This finding underscores how external economic conditions, particularly commodity prices and trade flows, substantially influence real estate investor confidence. The insight that gold price fluctuations correlate positively with real estate pricing reflects the role of global financial markets in shaping local property dynamics. Similarly, the relationship between trade volumes and property prices suggests that Dubai's global connectivity directly contributes to its real estate appeal. In contrast, a negative long-term relationship between the DRPPI and the number of completed residential units highlights the significance of supply-demand dynamics. Excess supply exerts downward pressure on property values, emphasizing the necessity for balanced development strategies. By integrating such macroeconomic variables into investment decision frameworks, foreign investors can anticipate shifts in market trends and mitigate risks.

Interest rate fluctuations represent another critical determinant of real estate investment,

reflecting the interconnectedness of Dubai's market with global monetary policies. Rashad and Farghally (2023) identified that a one percentage point increase in US interest rates leads to a 17.7% decline in real estate transactions in Dubai, illustrating the market's vulnerability to rising funding costs. This sensitivity underscores the dependency of Dubai's real estate sector on affordable credit and global liquidity conditions, making it susceptible to external economic fluctuations. Consequently, the findings emphasize the importance of diversification strategies for foreign investors to hedge against interest rate risks. Furthermore, regulatory and institutional innovations, such as the development of domestic funding mechanisms and alternative investment instruments, could reduce Dubai's susceptibility to external credit pressures.

The financialization of housing theory assumes that real estate is a quasi-financial asset. Aalbers (2018) highlights how global capital flows and regulatory innovations have facilitated the securitization and commodification of real estate, making it a focal point for private equity and institutional investors. In Dubai, this trend is evident in the increasing prevalence of real estate investment trusts (REITs) and digitized property transactions, which align with global financial systems. For instance, initiatives by the Dubai Land Department, such as the introduction of escrow systems and data transparency measures, have enhanced investor confidence, making the market more accessible to transnational actors. However, financialization also raises concerns about speculative practices that can inflate property prices and exacerbate market volatility.

Institutional and policy factors also play a pivotal role in shaping real estate investment, as evidenced by Dubai's proactive regulatory environment and investment incentives. Dorsch (2023) highlights the effectiveness of initiatives such as the Golden Visa program, which offers

long-term residency and 100% business ownership to foreign entrepreneurs and high-net-worth individuals, in bolstering investor confidence. Additionally, freehold property laws democratize market access, enabling diversified participation from both individual and institutional investors.

Finally, the intersection of financial and urban geographies reveals the strategic role of geopolitical considerations in determining real estate investment in Dubai. Koelemaj and Derudder (2021) emphasize Dubai's position as a geopolitical nexus connecting Europe, Asia, and Africa, which enhances its appeal as a secure investment destination amidst global uncertainties. High rental yields, often surpassing those in comparable global hubs, further amplify its attractiveness to foreign investors focused on luxury and branded property segments. Additionally, iconic urban landscapes like Downtown Dubai illustrate how urban branding strategies are deployed to reinforce the city's global investment appeal.

In conclusion, the determinants of real estate investment in Dubai encompass a complex interplay of macroeconomic indicators, regulatory frameworks, financialization trends, transnational development practices, and geopolitical factors. These elements collectively shape investor behavior and market dynamics, offering opportunities for growth while also presenting significant risks. By critically examining these determinants, this analysis provides a nuanced understanding of Dubai's real estate landscape, paving the way for informed investment strategies and policy recommendations in subsequent sections.

#### 4. Analysis of Dubai's Real Estate Sector

This chapter delves into the multifaceted analysis of Dubai's real estate sector, highlighting its

growth trends, market dynamics, and regulatory framework. It explores the evolution of the market, the implications of freehold property laws, and the role of the Dubai Land Department in promoting transparency and investor confidence.

#### 4.1 Evolution of Dubai's Real Estate Market

Dubai's real estate market has grown significantly since the early 2000s, driven by government reforms and urban development strategies (Waters, 2023; Fereidouni et al., 2010).

Between 2011 and 2021, Dubai's housing units increased from 445,000 to 780,000, representing a 75% growth in supply. This expansion was driven by the emirate's efforts to sustain its position as a global real estate hub, catering to both expatriates and foreign investors (Alstadsæter et al., 2024). During the same period, house prices surged by approximately 25%, particularly during the COVID-19 pandemic. This rise demonstrated Dubai's ability to position itself as a secure investment destination amidst global economic uncertainties (Alstadsæter et al., 2024). Notably, the pandemic underscored a shift in investor preferences toward high-yield and low-risk assets, further enhancing Dubai's appeal as a financial safe haven and lifestyle destination (Fereidouni et al., 2010). Expansion beyond urban centers, such as projects in suburban areas like Dubailand, reflects a diversification strategy aimed at catering to middle-class expatriates, thus reducing over-reliance on luxury-oriented housing supply (Waters, 2023).

Dubai's strategic location has positioned it as a global logistics hub and tourism center, with developments like Dubai Marina and Downtown Dubai integrating residential, commercial, and entertainment spaces to attract investors and visitors. These projects drive tourism, creating

sustained demand for high-end properties and bolstering market appeal (Waters, 2023; Davidson, 2007). Dubai's role as a gateway to emerging markets aligns real estate with economic diversification strategies, supported by initiatives like Expo 2020, which enhance its visibility as an investment hub (Waters, 2023).

Dubai's prominence as an international real estate hub is further evidenced by FDI trends, with foreign nationals holding approximately 43% of the total residential property value by early 2022. This marks an increase of \$23 billion between 2020 and early 2022, showcasing Dubai's success in marketing itself as a lucrative and secure investment destination also during global crises (COVID-19 pandemic) (Alstadsæter et al., 2024). These foreign ownership levels surpass those in cities like London (~ 5 %) and Singapore (~ 22%), emphasizing Dubai's unique appeal, particularly to expatriates and high-net-worth individuals (Waters, 2023). Programs like the Golden Visa initiative have been particularly effective in maintaining FDI inflows, offering long-term residency to property investors as part of a targeted effort to sustain international interest (Fereidouni et al., 2010). As highlighted by Al Fakir, the Golden Visa program provides long-term residency, encouraging substantial commitments from investors, which further cements Dubai's position as a leading global real estate hub (see Appendix 2).

## 4.2 Regulatory Framework

This section explores the regulatory landscape that shapes Dubai's real estate market, emphasizing the critical role of freehold property laws and the Dubai Land Department in facilitating foreign investment.

#### 4.2.1 Freehold Property Laws and Their Impact on Foreign Investment

Dubai's freehold property laws, introduced through Law No. 7 of 2006, marked a transformative moment in Dubai's real estate sector, particularly by allowing non-GCC investors to purchase freehold interests in strategically chosen areas such as Dubai Marina and Palm Jumeirah. By focusing on high-value zones, the freehold property laws have played a critical role in boosting foreign direct investment (FDI), enhancing Dubai's global competitiveness, and financing a range of large-scale urban projects (DLA Piper, 2019; Catling, 2023).

These freehold property laws have catalyzed an investment boom by enabling foreign investors to register freehold titles in Zones such as Downtown Dubai and Dubai Marina. Projects like Burj Khalifa and Dubai Mall—located within these zones—have further elevated Dubai's international profile, branding it as a global leader in luxury urban development. The alignment between government policy and market demand is exemplified by the success of these zones in attracting substantial capital inflows, with freehold properties continuing to drive interest in Dubai's real estate sector. However, the focus on high-end developments has resulted in market oversupply in the luxury segment, which attracts high-net-worth individuals but does not adequately address the growing need for mid-range and affordable housing according to the CEO of the Real Estate Company Forset Daryna Arzamazova (see Appendix 2).

Despite their transformative impact, Dubai's freehold property laws are not without regulatory uncertainties. The emirate's rapidly evolving legal framework, characterized by frequent amendments to property and related visa laws, introduces an element of unpredictability for foreign investors seeking long-term returns. Regulatory unpredictability remains a significant challenge. As Arzamazova said, frequent legal changes can make investors cautious, affecting

confidence and long-term investment planning (see Appendix 2). For instance, the lack of harmonization between federal and emirate-specific laws may create complexities regarding the enforceability of ownership rights. Compared to more stable regulatory environments in markets like Singapore and Hong Kong, Dubai's policy landscape could benefit from enhanced consistency and long-term predictability to maintain investor confidence.

Nevertheless, the benefits of these laws are tempered by their susceptibility to external economic conditions and global monetary policies. Dubai's dependence on foreign capital inflows renders its real estate market particularly sensitive to macroeconomic trends. For instance, the Emirati dirham's peg to the US dollar amplifies risks for non-dollar investors, as periods of US dollar appreciation can erode purchasing power. Similarly, rising interest rates in major global economies can reduce liquidity and discourage investment, introducing cyclical volatility into Dubai's real estate sector. These vulnerabilities necessitate strategic risk mitigations, such as diversifying the investor base and developing stabilizing measures like government-backed incentives during market downturns. Such policies could help minimize the impact of external shocks and maintain Dubai's competitive edge in a volatile global economic environment (Bagaee, 2007; Squires & Heurkens, 2015).

#### 4.2.2 Role of the Dubai Land Department (DLD) in Market Transparency

The Dubai Land Department (DLD) plays a pivotal role in enhancing market transparency within Dubai's real estate sector by implementing a comprehensive regulatory framework. This framework governs property transactions, lease registrations, and escrow accounts, thereby fostering a foundation of institutional trust and investor confidence. A cornerstone of the DLD's regulatory strategy is the mandatory use of escrow accounts for property transactions, which ensures that funds deposited by buyers are solely utilized for project-related purposes. This

measure mitigates risks related to financial mismanagement and fraud, offering a safety net particularly for foreign investors unfamiliar with local practices (Mohammed bin Rashid Al Maktoum, 2019). By safeguarding financial transactions, the DLD not only promotes legal compliance but also strengthens Dubai's image as a secure and reliable real estate market.

The DLD has standardized lease registrations to ensure compliance with governmental mandates, which minimizes disputes between landlords and tenants. By enforcing transparency in rental agreements, the DLD not only streamlines lease processes but also supports investor confidence in Dubai's rental sector as a viable revenue stream (DLA Piper, 2019). Furthermore, initiatives to enforce transparency in property ownership have established stringent registration protocols, allowing public access to property title details. The provision of such a public registry enhances accountability and institutional credibility (Mohammed bin Rashid Al Maktoum, 2019).

Digital innovation has been a significant aspect of the DLD's approach to market transparency. Tools such as the 'Dubai REST' application allow for real-time property transactions, reducing bureaucratic inefficiencies and simplifying investment procedures, (DLA Piper, 2019).

The DLD has also contributed to market transparency through standardized registration protocols for real estate transactions, which include regulated fees for ownership transfers and mortgages. For example, a 4% fee on property value for ownership transfers and a 0.25% fee on loan value for mortgages provide predictable cost structures for investors, allowing for greater financial planning (DLA Piper, 2019). By establishing clear metrics for these costs, the DLD addresses concerns over opaque fee structures, which are often deterrents for foreign investors in other emerging markets. Additionally, the regulation of fees for long-term leases

prevents exploitation by brokers and intermediaries, creating more equitable conditions for non-resident market participants (DLA Piper, 2019).

Through platforms such as the Dubai Real Estate Market Report, the DLD provides insights into property prices, transaction volumes, and rental yields, equipping investors with the information necessary for informed decision-making (Abdelgalil & Bakheet, 2007). Access to such reliable data is critical in attracting cautious foreign investors, particularly those seeking to mitigate risks associated with speculative markets. By offering data transparency, Dubai positions itself as a progressive and investor-friendly market, comparable to global competitors like Hong Kong, where data availability is a key factor in market attractiveness (Abdelgalil & Bakheet, 2007).

In comparison to other global markets, the DLD's proactive measures in promoting transparency and implementing advanced digital solutions place Dubai at a competitive advantage. Unlike state-dominated models in Hong Kong and Singapore, the DLD adopts an investor-centric approach by facilitating public access to records and streamlining transaction processes. This not only attracts a broader pool of foreign investors but also aligns Dubai's real estate market with wider global standards (Abdelgalil & Bakheet, 2007). Moreover, the integration of advanced digital platforms for real-time transactions surpasses the digitalization efforts of many competitors, reinforcing Dubai's reputation as a technologically advanced and globally integrated real estate hub (DLA Piper, 2019).

## 5. Comparative Analysis with Other Global Real Estate Hubs

This chapter focuses on the comparative analysis of Dubai's real estate sector with Singapore

and Hong Kong, by examining the distinct strategies, regulatory frameworks, and market dynamics of each city.

### 5.1 Comparison with Singapore

When comparing Dubai and Singapore as global real estate hubs, it becomes evident that both cities have effectively leveraged their strategic geographical locations to attract international investors. Dubai, positioned at the crossroads between Europe, Asia, and Africa, acts as a gateway to high-growth regions such as the Middle East and Africa. Its centrality is enhanced by a world-class aviation and maritime infrastructure, facilitating seamless connectivity and access to emerging markets characterized by untapped economic opportunities and demographic advantages, including a young and expanding population (FINTRX, 2024). In contrast, Singapore serves as the primary gateway to Southeast Asia, offering proximity to rapidly industrializing economies such as Indonesia, Vietnam, and the Philippines. These markets, driven by urbanization and manufacturing prowess, present opportunities for real estate expansion (Haila, 2000). While Dubai emphasizes its integration with energy-rich Gulf economies and diversification projects, Singapore's well-established role as a trade and financial hub within Southeast Asia underpins its geographical strength. Thus, while both cities capitalize on their regional prominence, their focuses on resource access and economic industrialization reflect strategies for attracting foreign investment.

Dubai's real estate market is shaped by its infrastructure-focused policies, emphasizing luxury developments. The integration of residential, commercial, and recreational spaces in these zones caters to global lifestyle trends, thereby enhancing investor appeal (Squires & Heurkens, 2015). Conversely, Singapore employs a different approach, integrating sustainability and long-

term urban planning into its real estate market. Projects such as Gardens by the Bay and numerous green-certified buildings underscore the city-state's emphasis on eco-friendly initiatives, which resonate with environmentally conscious investors and align with global sustainability standards (Haila, 2000). While Dubai's developments focus on luxury and rapid urban growth, potentially at the expense of environmental considerations, Singapore's commitment to optimizing land use efficiency and incorporating sustainable practices provides a contrasting model that prioritizes resilience and long-term viability.

Legal frameworks governing property ownership further distinguish the two markets. Dubai's freehold property laws, implemented under Law No. 7 of 2006, enable foreign investors to own properties outright in designated areas. This openness reduces entry barriers and secures ownership rights, making Dubai more appealing to a diverse range of investors (Catling, 2023; Squires & Heurkens, 2015). In Singapore, however, land ownership is predominantly state-controlled, with foreign participation limited to long-term leasehold agreements subject to strict eligibility criteria (Haila, 2000). The inclusivity embedded in Dubai's legal framework fosters greater accessibility for both individual and institutional investors. Nonetheless, the comparatively restrictive framework in Singapore ensures controlled urban development and mitigates speculative investment, promoting economic stability.

Tax policies in both cities further underline their strategic differences. Dubai's tax-free regime, characterized by the absence of income and capital gains taxes, serves as a significant incentive for foreign investors, maximizing the returns on high-value real estate assets (FINTRX, 2024). In contrast, Singapore's tax strategy, exemplified by the Enhanced-Tier Fund Tax Exemption Scheme, offers targeted relief to qualifying institutional investors, promoting long-term, high-value investments (FINTRX, 2024). While the absence of taxes in Dubai broadens its appeal,

particularly for expatriates and high-net-worth individuals from high-tax jurisdictions, Singapore's structured tax incentives reflect its commitment to fostering a stable and predictable financial environment (Haila, 2000). The divergent tax policies underscore the contrasting objectives of the two cities: Dubai seeks to attract a wide range of investors through its inclusive and tax-neutral approach, whereas Singapore focuses on institutional robustness and economic sustainability.

The regulatory environments in Dubai and Singapore also diverge sharply. Singapore's real estate governance, managed by the Urban Redevelopment Authority (URA), reflects a state-driven approach emphasizing stringent regulations, long-term planning, and reduced market volatility (Haila, 2000; Squires & Heurkens, 2015). This consistency enhances investor confidence, particularly during periods of global economic uncertainty. Dubai, on the other hand, adopts a dynamic regulatory framework overseen by the Dubai Land Department (DLD). While its investor-centric measures, such as transparency-enhancing initiatives and streamlined transaction processes, align with international best practices, periodic amendments to property laws introduce an element of unpredictability (FINTRX, 2024; Catling, 2023).

Infrastructure and urban planning serve as critical strengths for both cities, though they follow different trajectories. Dubai's large-scale projects, cater to international lifestyle preferences, reinforcing its identity as a luxury real estate hub. Singapore, however, excels in sustainable development, featuring eco-friendly practices, efficient land use, and green urban initiatives. These efforts not only mitigate the environmental impact of urbanization but also attract investors who prioritize long-term resilience and sustainability (Haila, 2000; Squires & Heurkens, 2015).

## 5.2 Comparison with Hong Kong

Hong Kong's real estate market stands out as one of the most expensive and exclusive globally, shaped by its limited land supply and high demand. Approximately 40% of Hong Kong's land area is reserved as country parks or nature reserves, constraining land availability for urban development (Haila, 2000). This structural limitation contrasts sharply with Dubai's real estate market, which benefits from expansive land availability and policies aimed at encouraging high-density developments without the same level of scarcity. Consequently, while Hong Kong sustains exceedingly high property prices due to its constrained supply, Dubai has positioned itself as more affordable, even in its high-value luxury segments (Haila, 2000; Hatemi-Ja et al., 2014).

The high demand in Hong Kong's real estate market is driven by rapid urbanization, a growing population, and its role as a global financial hub. This demand sustains consistently high property values, making Hong Kong one of the least affordable real estate markets worldwide. For instance, the average home price-to-income ratio in Hong Kong far exceeds international norms, reflecting its uniquely skewed market dynamics (Haila, 2000; Fernandez et al., 2016). In contrast, Dubai leverages its extensive land resources to maintain a balance between growth and affordability. While Hong Kong relies on continued demand for scarce urban property to sustain value, Dubai's expansive supply strategy allows it to cater to diverse investor demographics.

A key difference lies in the regulatory frameworks governing property ownership in these two cities. Hong Kong operates under a leasehold system, a legacy of its colonial history. Land is government-owned and leased to private developers for predefined periods, adding complexity and uncertainty for property investors (Haila, 2000; Wei & Leung, 2005). Lease renewals often

hinge on government policies and additional fees, which can deter long-term foreign investment. In contrast, Dubai's introduction of freehold property laws in 2002 allows foreign nationals to own properties outright in designated areas (Hatemi-Ja et al., 2014). Consequently, while Hong Kong's reliance on leasehold tenure reflects its controlled and state-centric real estate model, Dubai's freehold policies have created a more accessible and appealing environment for international investors.

Hong Kong's role as a global financial hub significantly benefits its real estate sector by attracting transnational property companies and high-net-worth individuals. Its advanced banking and financial systems, coupled with robust legal frameworks, ensure the seamless integration of real estate investments into global financial markets (Hatemi-Ja et al., 2014). This integration appeals to affluent investors seeking stable returns in luxury urban properties (Fernandez et al., 2016). Dubai shares certain parallels, leveraging its position as a major logistics and business center for the Middle East, Africa, and South Asia. Hong Kong's focus on financial market mechanisms, such as real estate investment trusts (REITs), contrasts with Dubai's primarily transaction-based market dynamics (Wei & Leung, 2005). While Dubai has begun exploring similar financial instruments, they remain less prevalent in its comparatively nascent market structure. This divergence shows that while both markets attract global wealth, Hong Kong's financial sophistication offers distinct advantages to institutional and transnational investors, whereas Dubai provides a more diversified investment landscape.

The wealth elite's investment behaviors in Hong Kong and Dubai reveal contrasting strategies. In Hong Kong, real estate is often viewed as a "safe deposit box," providing secure asset storage for transnational elites who prioritize capital preservation over high yields (Fernandez et al., 2016). This approach is mirrored in other global hubs like New York and London and is

facilitated by Hong Kong's high liquidity and stable demand for luxury urban properties. In comparison, Dubai's real estate market targets a broader investor base (Aalbers, 2018). This contrast highlights fundamentally different philosophies—Hong Kong leverages exclusivity to sustain market stability, while Dubai emphasizes inclusivity to drive growth and foreign direct investment inflows.

Both cities face significant challenges tied to global economic trends, though Hong Kong demonstrates greater policy resilience compared to Dubai's regulatory uncertainties. Hong Kong's long-standing stability in governance and minimal policy changes enhance investor confidence, even during periods of economic volatility (Wei & Leung, 2005). This consistent regulatory environment contrasts with Dubai's more dynamic landscape, where frequent amendments to property laws can introduce unpredictability for long-term investors (Al-Shayeb et al., 2014). For example, Dubai's sensitivity to external shocks such as the 2008 financial crisis necessitated substantial government intervention to stabilize the market, illustrating its vulnerability to macroeconomic conditions (Hatemi-Ja et al., 2014). In contrast, Hong Kong's more conservative policy approach has historically mitigated such risks. A comparative table summarizing the differences between Dubai, Singapore, and Hong Kong is included in the appendix to provide a clear visual representation of these distinctions.

Urban planning strategies further differentiate the two markets. Hong Kong's constrained geography necessitates vertical development, resulting in some of the world's tallest and most densely populated urban structures (Wei & Leung, 2005). This approach supports high levels of efficiency and sustainability, aligning with the city's limited land resources. Conversely, Dubai's real estate strategy capitalizes on its expansive land availability through horizontally integrated luxury developments (Haila, 2000; Hatemi-Ja et al., 2014).

## 6. Opportunities and Challenges for Foreign Investors

This section examines opportunities and challenges for foreign investors in Dubai's real estate, focusing on high rental yields, tax benefits, and market accessibility. It also addresses risks like regulatory uncertainty, market oversupply, and economic vulnerabilities, with mitigation strategies explored.

### 6.1 Strategic Opportunities for Foreign Investors in Dubai's Real Estate

Dubai's real estate market presents opportunities for foreign investors, marked by its high rental yields, competitive taxation policies, robust infrastructure, strategic geographical positioning, and growth in niche property segments.

High rental yields significantly heighten the financial appeal of Dubai's real estate market. Yields in prime areas such as Dubai Marina and Downtown Dubai consistently surpass global benchmarks, averaging above 6%, which starkly contrasts with the lower yields observed in Singapore and Hong Kong, typically ranging between 2% and 4%. This disparity underlines Dubai's ability to deliver higher returns on investment within relatively short timeframes (Knight Frank, 2023). The city's strong demand for luxury residential and commercial properties further bolsters its rental market. Branded residential properties, for instance, generated transactions worth \$6.9 billion in 2022, underscoring their role as key drivers in maintaining strong rental revenues (Knight Frank, 2023; Apex, 2024). Dubai's unique branding as a luxury hub has been instrumental in its success. As Daryna Arzamazova, CEO of Forset, mentioned, Dubai's ability to market itself as a blend of luxury, modernity, and opportunity is what truly sets it apart in the global real estate landscape. This positioning continues to attract high-net-worth individuals and expatriates alike (see Appendix 2).

Dubai's tax-free regime further enhances its attractiveness to foreign investors, particularly when compared to other global hubs. The absence of income and capital gains taxes provides a considerable competitive advantage. This tax neutrality is particularly attractive to those acquiring high-value properties in locations such as Palm Jumeirah and Emirates Hills (Knight Frank, 2023; Apex, 2024). By contrast, markets like Singapore impose taxes of up to 17% on rental income, while Hong Kong levies capital gains taxes, making Dubai's tax policies especially appealing (Apex, 2024). Additionally, Dubai's transparent transaction processes further contribute to its appeal. According to Loai Al Fakir, CEO of Provident Estate, Dubai's tax-free environment and high rental yields are its strongest selling points, a sentiment reflected in the emirate's ability to attract international investors seeking lucrative returns on investment (see Appendix 2).

Infrastructure is another cornerstone of Dubai's real estate appeal. Dubai International Airport, with an annual capacity set to exceed 90 million passengers by 2025, ensures unparalleled global connectivity, thereby driving demand for short- and mid-term rental markets (Salama, 2013). High-speed transport systems like the Dubai Metro, alongside event venues such as the Expo 2020 site, further boost the long-term growth potential of surrounding real estate zones (Mosteanu, 2019).

Dubai's geographic positioning further strengthens its value proposition for foreign investors. Situated at the nexus of key trade routes, Dubai provides access to emerging markets across Africa, South Asia, and the Middle East, regions characterized by rapid economic growth and untapped potential (Mosteanu, 2019; Apex, 2024). Free zones such as Jebel Ali and the Dubai International Financial Centre (DIFC) amplify the city's logistical appeal by offering tax

incentives and streamlined regulatory conditions, driving real estate demand indirectly through increased business activities (Salama, 2013). Moreover, Dubai's emphasis on attracting global talent in sectors such as technology, finance, and logistics creates further opportunities in the mid- to high-end property market. This stands in contrast to Singapore and Hong Kong, which remain more closely tied to their respective regional economies (Mosteanu, 2019).

## 6.2 Key Risks

Dubai's real estate market faces a range of risks. One of the most critical challenges is regulatory uncertainty, which stems from Dubai's dynamic and evolving legal framework. Frequent amendments to property laws, including adjustments to freehold and leasehold regulations, have introduced unpredictability for foreign investors, potentially complicating long-term planning and reducing investor confidence (Davidson, 2009). As Loai Al Fakir, CEO of Provident Estate, pointed out during an interview, frequent policy updates can create uncertainties for long-term investors (see Appendix 2). This fluid regulatory environment, while aimed at maintaining market competitiveness, poses significant risks when gaps in communication leave investors unaware of legal changes. For example, discrepancies in the enforcement of property laws can create ambiguities over ownership disputes and land use rights, further challenging investor trust (Renaud, 2020).

Another significant challenge in Dubai's real estate market is the issue of market oversupply and price volatility, particularly in the luxury property segment. Periods of oversupply have resulted in declining property values and rental yields, which are exacerbated during global financial downturns. Evidence of this oversupply is visible in high vacancy rates for high-end residential and commercial properties, often tied to speculative construction that outpaces

market demand (Alawadi et al., 2018).

Dubai's dependence on external financial conditions creates heightened economic vulnerabilities, making its real estate sector susceptible to global shocks. The 2008 financial crisis is illustrative of these risks, during which property prices in Dubai steeply declined, with some segments losing over 50% of their value (Davidson, 2009). Foreign investors and expatriate-driven property transactions significantly influence Dubai's market dynamics, leaving it exposed to economic fluctuations in source markets such as Europe and Asia (Renaud, 2020).

Affordability poses another pressing concern within Dubai's real estate market, particularly for its growing middle-class population. Current statistics indicate that only 23% of housing units in Dubai are accessible to middle-income groups, a disparity that risks alienating a significant portion of the housing demand (Alawadi et al., 2018). Historically, Dubai's development strategies have prioritized upscale projects, leaving a gap in the availability of affordable housing options.

Finally, financing risks and credit conditions represent significant challenges in Dubai's real estate market. Global supply chain disruptions, inflation, and rising construction costs have constrained the financial feasibility of large-scale developments, particularly in the luxury and commercial segments (M&G Investments, 2024). Additionally, tighter credit conditions, including stricter loan-to-value ratios and higher interest rates, have dampened deal activity and reduced market liquidity (Wallace & White, 2024).

### 6.3 Policy Recommendations to Enhance the Real Estate Sector's Attractiveness

Balancing supply and demand dynamics through strategic urban planning is critical to mitigate the risk of oversupply, particularly in the luxury property segment, and to ensure equitable market growth. Overbuilding in the luxury sector has historically led to high vacancy rates and price volatility, underlining the need for more effective market alignment (Abdelgalil & Bakheet, 2007). Accurate forecasting based on real-time demand metrics could help streamline new developments and reduce speculative construction cycles (Morrison & Phillips, 2024). Examples from Singapore, where phased construction approvals are tied to market demand, demonstrate the effectiveness of such practices in avoiding excess inventory and stabilizing the market (Squires & Heurkens, 2015). Additionally, smaller-scale projects that target middle-income residents should be prioritized over mega-developments, which tend to be more vulnerable to economic fluctuations and global shocks (Abdelgalil & Bakheet, 2007).

Affordability is a pressing concern that needs to be addressed through targeted policies to bridge the gap between housing supply and the unmet demand from middle-income residents. Currently, only 23% of housing units in Dubai are affordable for this demographic, highlighting a critical disparity (Alawadi et al., 2018). Zoning reforms that designate specific areas for mid-income housing, coupled with government-subsidized development initiatives, could directly address this challenge (Khanal & Almulla, 2018). Rental control policies, akin to those implemented in global cities such as London, could cap price increases and stabilize the rental market for middle-income populations (Khanal & Almulla, 2018).

Introducing alternative financing mechanisms is a pivotal strategy to tackle credit restrictions, rising construction costs, and dependency on traditional bank loans. Real estate investment trusts (REITs) present a alternative for attracting smaller-scale investors by offering fractional

ownership opportunities, thereby broadening investment participation (Renaud, 2020). Additionally, securitized real estate investments, such as green bonds for environmentally sustainable projects, could attract a niche segment of eco-conscious investors and align Dubai's market with global sustainability goals (Alawadi & Benkraouda, 2017). Public-private partnerships for joint housing initiatives could also bridge funding gaps for large-scale developments, ensuring their financial stability while fostering investor trust (Mohammed bin Rashid Al Maktoum, 2019). Microfinance models could be introduced to support smaller mid-income projects (Abdelgalil & Bakheet, 2007). Additionally, integrating blockchain technology into real estate transactions could improve transparency and reduce fraud, as noted by Al Fakir (see Appendix 2).

Promoting sustainable urban planning practices is imperative to balancing rapid growth with environmental responsibility while maintaining Dubai's unique identity as a global luxury hub. Density-focused zoning policies, similar to those employed in Singapore, could optimize urban land use and mitigate the environmental costs of horizontal expansion (Alawadi & Benkraouda, 2017). Emphasizing mixed-use vertical developments could enhance space efficiency while creating integrated communities that balance residential, commercial, and recreational needs (Alawadi et al., 2018). Renewable construction materials and energy-efficient technologies should be prioritized, not only to reduce costs but also to align Dubai with global eco-conscious trends and attract sustainability-focused investors (Abdelgalil & Bakheet, 2007).

## 7. Conclusion

This thesis examined the strategic opportunities and challenges for foreign investors in Dubai's real estate market, benchmarking it against global hubs such as Singapore and Hong Kong. The

analysis demonstrated that Dubai offers unique advantages, including high rental yields, a tax-free environment, and advanced infrastructure, which collectively position it as an attractive destination for international real estate investment. Its strategic geographical location, coupled with policies like the Golden Visa and freehold property ownership laws, further enhances its global competitiveness.

The research also identified significant challenges within Dubai's real estate sector. Market oversupply, particularly in the luxury segment, presents risks of price volatility and vacancy rates. Regulatory unpredictability can undermine investor confidence, especially for long-term commitments, while economic vulnerabilities tied to global financial trends expose the market to external shocks. Additionally, the limited availability of mid-income housing remains a pressing concern.

These findings align with the broader literature on real estate investment, which emphasizes the importance of regulatory stability, demand-supply alignment, and sustainability for maintaining investor confidence and long-term growth. The limitations of this research lie in the reliance on secondary data and expert interviews, which may not fully capture the dynamic nature of Dubai's real estate sector. Future studies could expand on these findings through more extensive primary research.

Looking ahead, future research should focus on the integration of sustainability in Dubai's real estate sector and the development of policies that incentivize mid-income housing. Moreover, exploring the impact of technological advancements, like blockchain, on transparency and investor confidence could offer valuable insights. By addressing these areas, Dubai can further strengthen its position as a leading global real estate hub.

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## 9. Appendix

### 9.1 Appendix 1: Tables

*Table 1: Comparison between the Investment Hubs Dubai, Singapore, Hong Kong*

<b>Feature</b>	<b>Dubai</b>	<b>Singapore</b>	<b>Hong Kong</b>
<b>Strategic Location</b>	Gateway to Europe, Asia, and Africa; strong connectivity via aviation and maritime infrastructure	Gateway to Southeast Asia; proximity to emerging markets like Indonesia and Vietnam	Regional hub for East Asia; close proximity to China and global financial markets
<b>Real Estate Focus</b>	Luxury developments; mixed-use projects like Dubai Marina	Sustainable and efficient urban planning; eco-friendly buildings such as Gardens by the Bay	High-density, vertical development; focus on ultra-high-value properties
<b>Legal Framework</b>	Freehold property laws allow foreign ownership in designated areas	State-controlled land with limited leasehold access for foreigners	Leasehold system; government ownership with strict renewal and fee structures
<b>Tax Policies</b>	Tax-free regime; no income or capital gains taxes	Structured tax incentives, e.g., Enhanced-Tier Fund Tax Exemption Scheme	Capital gains and property taxes applied, creating a high-tax environment

<b>Infrastructure</b>	Large-scale projects like Burj Khalifa and advanced logistics hubs like Jebel Ali Free Zone, Dubai Metro	Highly efficient transportation and infrastructure; focus on green urban development	Constrained by geography; focus on dense urban infrastructure
<b>Rental Yields</b>	High (6%+), particularly in prime areas like Dubai Marina	Lower (2%-4%)	Similar to Singapore; high prices reduce overall yield
<b>Market Accessibility</b>	Open, investor-friendly environment with simplified property acquisition	Highly regulated, targeted at institutional investors	Exclusive market targeting high-net-worth individuals; strict entry barriers
<b>Regulatory Environment</b>	Dynamic but less predictable; frequent amendments to property laws	Stable, state-driven, long-term focused	Highly stable; conservative regulatory changes enhance resilience
<b>Economic Integration</b>	Strong ties to Gulf economies and diversified growth strategies	Financial and trade hub within Southeast Asia	Integration with global financial systems; heavy reliance on China
<b>Environmental Focus</b>	Minimal; luxury focus sometimes overlooks sustainability	High priority on green initiatives and sustainable practices	Limited due to geographical constraints

<b>Affordability</b>	Affordable relative to Singapore and Hong Kong, even in luxury segments	High, but more affordable than Hong Kong	Among the least affordable globally du
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## 9.2 Appendix 2: Expert Interviews

### Expert Interview 1

**Interview partner: Loai Al Fakir, CEO of Provident Estate**

**Date:02.12.2024**

**Location: Online via MS-Teams**

**Interviewer:** Mr. Al Fakir, thank you for joining us today. To start, can you share your insights on what makes Dubai a compelling destination for real estate investment?

**Loai Al Fakir:** Dubai has an unmatched combination of factors that appeal to investors globally. The tax-free environment is a major draw, allowing investors to maximize returns. High rental yields, especially in iconic areas like Dubai Marina and Downtown Dubai, consistently exceed 6%. These factors, coupled with world-class infrastructure, make Dubai an ideal market. Moreover, initiatives like the Golden Visa have made a significant impact, providing long-term residency to investors and instilling confidence in their decisions.

**Interviewer:** Those are strong selling points. What do you see as the main challenges for foreign investors in Dubai?

**Loai Al Fakir:** While the market offers many advantages, there are areas that require attention. Regulatory unpredictability can be a concern. Although Dubai has made significant strides in transparency and ease of business, frequent policy updates can create uncertainties. For long-term investors, a more stable and predictable regulatory environment would be beneficial.

**Interviewer:** What are your thoughts on Dubai's focus on luxury developments?

**Loai Al Fakir:** Dubai's emphasis on luxury has undeniably positioned it as a global lifestyle destination. However, this has led to an imbalance in the market. Middle-income housing demand is often overlooked. Developers could benefit from incentives to allocate a portion of their projects to affordable housing and meeting the needs of a broader demographic.

**Interviewer:** Sustainability is becoming a key consideration for investors. How is Dubai responding to this trend?

**Loai Al Fakir:** Sustainability is an area where Dubai is starting to make progress, but there's room for improvement. Green-certified buildings and eco-friendly initiatives are gaining traction. Aligning with global sustainability standards will be crucial for staying competitive. Additionally, innovative technologies like blockchain could enhance transparency in property transactions.

**Interviewer:** What steps should Dubai take to maintain its position as a leading real estate market?

**Loai Al Fakir:** Balancing growth with sustainability is key. Regulatory stability, affordable housing initiatives, and a stronger focus on green development will ensure long-term success. Dubai must also continue to invest in infrastructure and technology to remain ahead in a competitive global landscape.

## **Expert Interview 2**

**Interview partner: Daryna Arzamazova, CEO of Forset Real Estate**

**Date: 27.11.2024**

**Location: Online via MS-Teams**

**Interviewer:** Thank you for taking the time, Ms. Arzamazova. Could you start by explaining what sets Dubai's real estate market apart from other global hubs?

**Daryna Arzamazova:** Dubai stands out because of its unique combination of accessibility, infrastructure, and lifestyle appeal. The city has successfully branded itself as a global destination for both luxury living and business. What's particularly impressive is the government's proactive approach to attracting foreign investment, with policies like the Golden Visa program and the absence of income and capital gains taxes. These measures create a highly favorable environment for investors.

**Interviewer:** In your opinion, what are the biggest risks foreign investors face when entering the Dubai real estate market?

**Daryna Arzamazova:** One of the most pressing challenges is the market's reliance on luxury developments, which can lead to oversupply in certain segments. While luxury attracts high-net-worth individuals, it doesn't fully address the growing need for mid-range and affordable housing. Another issue is the susceptibility to external economic factors like fluctuating interest rates and global recessions. Finally, while regulatory transparency has improved, there is still a perception of unpredictability that can deter risk-averse investors.

**Interviewer:** Sustainability has become a key focus in real estate globally. How is Dubai addressing this trend?

**Daryna Arzamazova:** Dubai has started making strides in sustainability, particularly through initiatives like solar-powered developments and green certifications for buildings. For Dubai to

stay competitive, sustainability needs to move from being a niche focus to a core aspect of urban development.

**Interviewer:** What technological advancements do you think could shape Dubai's real estate market in the coming years?

**Daryna Arzamazova:** Technology will play a transformative role. Blockchain, for instance, can revolutionize property transactions by reducing paperwork and increasing transparency. PropTech innovations, such as AI-driven property analytics and virtual reality for property tours, are already gaining traction. Dubai is uniquely positioned to lead in these areas because of its emphasis on being a tech-forward city.

**Interviewer:** How do you see Dubai's market evolving over the next decade, and what can be done to ensure its sustainability?

**Daryna Arzamazova:** Dubai will remain a top destination for real estate investment, but its long-term success will hinge on diversification. There's a clear need to balance luxury developments with housing for middle-income residents and young professionals. The government should also consider expanding its incentives for sustainable development. By doing so, Dubai can build a market that's not just globally appealing but also resilient to future challenges.

**Interviewer:** Lastly, what policy changes would you recommend to enhance Dubai's competitiveness in the global real estate market?

**Daryna Arzamazova:** First, I would recommend introducing more incentives for developers to build mid-income housing. Second, maintaining regulatory stability is essential. Frequent legal changes can make investors cautious. Finally, the city could benefit from increased public-private partnerships to drive innovation and sustainability in urban planning.