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Dubai Prices Fall for the First Time in Five Years: Cycle Turn or Warning Sign

Dubai residential prices fell 1.7% year on year in August 2026, the first annual decline in more than five years, according to Cavendish Maxwell data reported by Khaleej Times. Volumes and values remain substantial, but a supply ...

HIGH	8.7	9 September 2026	7/10
INVESTOR IMPACT	SIGNIFICANCE SCORE	EVENT DATE	SOURCE RELIABILITY

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EXECUTIVE SUMMARY

01 Dubai Prices Fall for the First Time in Five Years: Cycle Turn or Warning Sign

Average residential prices in Dubai fell 1.7% year on year in August 2026 to AED 1,636 per square foot, and were down 1.3% over the latest three month period. It is the first annual price fall since February 2021, ending a run that made 2025 the strongest year on record for the market, with almost 130,000 new investors and transaction values up 20% to AED 917 billion. The pullback is being driven by supply, not demand collapse. Moody's expects around 180,000 new homes to deliver between 2026 and 2028, about 60,000 a year, roughly double the 30,000 to 40,000 annual average of the prior five years. August still saw almost 10,900 homes change hands worth AED 23.4 billion, and off-plan sales held at about 75% of transactions. The real question for anyone holding or buying in Dubai right now is whether this is a market maturing in an orderly way or the early stage of a demand problem, and the answer differs by segment, not by headline.

- Dubai residential prices fell 1.7% year on year in August 2026 to AED 1,636 per square foot, the first annual decline since February 2021.
- Prices were also down 1.3% over the latest three month period, per Cavendish Maxwell data reported by Khaleej Times.
- Supply is the driver: Moody's expects about 180,000 new homes to deliver between 2026 and 2028, roughly 60,000 a year, double the 30,000 to 40,000 historical annual average.
- Volume stayed substantial in August, almost 10,900 homes sold worth AED 23.4 billion, but transaction values for the first 8 months of 2026 are 24% lower than the same period in 2025.
- Off-plan still accounted for about 75% of August transactions, and Moody's flags studios and one-bed apartments as the segment most exposed to further price declines over the next 12 to 18 months.

- 2025 was the record year against which this is being compared: almost 130,000 new investors, transactions up over 20% to 270,000, and transaction value up 20% to AED 917 billion.

THE EVENT

02 What happened, and why it matters

WHAT HAPPENED

Cavendish Maxwell data, reported by Khaleej Times, showed average residential sales prices in Dubai fell 1.7% year on year in August 2026 to AED 1,636 per square foot, with a 1.3% decline over the latest three month period. It is the first annual fall in average home prices since February 2021, following more than five years of sustained price growth. Almost 10,900 homes changed hands in August for a combined AED 23.4 billion, though volumes were about 14% lower than July, which Cavendish Maxwell partly attributed to the seasonal summer slowdown. Total transaction values since the start of 2026 have reached almost AED 270 billion, but that is 24% lower than the same 8 month period in 2025. Off-plan property continued to dominate, accounting for about 75% of residential transactions in August. Separately, Dubai Land Department figures for July 2026, the month immediately before this data, recorded AED 34.9 billion in sales transaction value across 13,930 transactions, with off-plan accounting for 69.1% of transactions by count, giving a useful reference point for the scale of the August slowdown. Cavendish Maxwell's Ronan Arthur described the figures as consistent with a market moving into a more mature stage of its cycle rather than a downturn.

WHY IT MATTERS

This is the fork every overseas investor now has to read carefully. A price fall after 5 years of gains could mean two very different things. It could be structural, genuine oversupply catching up with demand, in which case caution is warranted. Or it could be cyclical, a market normalising after an exceptional run, in which case softer entry prices could represent one of the better entry points in years. The headline number, a 1.7% fall, does not tell you which one you are looking at. Moody's own framing supports the cyclical read for now: it expects only a modest cooling over 12 to 18 months and says fundamentals remain strong, supported by population growth and continued inflows of high net worth individuals. But that view comes with a caveat that matters, the apartment sector, particularly studios and one-bed units, is called out as the segment where outright price declines are more likely. Treating the market as one undifferentiated number would be a mistake in either direction.

WHO IT AFFECTS

This matters most to overseas and HNW investors weighing a Dubai entry now, existing owners of studio and one-bed apartments who are most exposed to the segment Moody's flags for further softening, and off-plan buyers sitting on units from the 2021 to 2025 boom that are only now moving toward completion as part of the wider delivery pipeline. It also affects developers managing a backlog of roughly 180,000 homes due for delivery through 2028, and anyone using Dubai property as part of a longer term capital preservation strategy rather than a short term flip.

INVESTOR READ

03 Implications, risks and opportunities

HISTORICAL CONTEXT

This decline follows more than five years of exceptional growth in Dubai residential prices, fuelled by population gains, international investment and government reforms aimed at attracting foreign residents and capital, including residency permits for retirees and remote workers and an expanded 10-year Golden Visa program. That run culminated in 2025, the market's strongest year on record, when almost 130,000 new investors entered the market, total real estate transactions climbed more than 20% to 270,000, and transaction value rose 20% to AED 917 billion. Developers capitalised on that period by selling increasing volumes of property off-plan for completion years later, and much of that stock is only now approaching delivery, which is part of what is driving the current supply wave.

IMPLICATIONS

If you are looking at Dubai right now, the first thing to separate is price from volume. Price is down 1.7% year on year, but almost 10,900 transactions still closed in August worth AED 23.4 billion, so this is not a market where buyers have disappeared. What has changed is the supply backdrop. About 60,000 new homes a year through 2028 is roughly double the historical annual average, and that additional stock is concentrated in the apartment segment, which is exactly where Moody's expects the softening to show up first. If your interest is a studio or one-bed, that is the part of the market where you should expect further price pressure over the next 12 to 18 months, not a reason to panic, but a reason to price it in. Financing conditions are also part of the picture, with the 3-month EIBOR at 4.0% in September 2026, which affects the cost of any leveraged position regardless of which segment you are in. None of this changes the basic discipline that has always applied here, know which segment you are buying into, and do not assume a market-wide headline applies equally to every product type.

RISKS

The honest bear case has three parts, and none of them are hidden in this data. First, the supply number is large and specific: about 180,000 new homes between 2026 and 2028, roughly 60,000 a year against a historical average of 30,000 to 40,000. If absorption does not keep pace, Moody's own view is that studios and one-bed apartments could see outright price declines, not just slower growth. Second, transaction value for the first 8 months of 2026 is running 24% below the same period in 2025, which is a meaningfully larger gap than a normal seasonal dip would explain, and Cavendish Maxwell itself points to fewer project launches and regional uncertainty as contributing factors, not just summer timing. Third, this is the first annual price fall in over 5 years, meaning there is no recent precedent in this specific cycle for how deep or how long a softening phase might run. The counterweight is that Moody's assesses major developers as better placed to withstand a moderate slowdown than in previous cycles, citing strong cash flows, sales backlogs, upfront buyer payments and stronger balance sheets, which reduces the risk of the kind of distressed selling that would turn a cyclical adjustment into something worse.

OPPORTUNITIES

The case for opportunity rests on what has not changed rather than what has. Moody's explicitly says market fundamentals remain strong, supported by population growth and continued inflows of high net worth individuals, even as it forecasts a modest cooling. Off-plan sales still made up about 75% of August transactions, showing the primary market mechanism investors rely on remains active. Developers are also entering this phase from a position of financial strength, with substantial sales backlogs and upfront payments already collected, which supports continuity of delivery rather than distressed discounting. For an investor with a multi-year horizon rather than a short term flip in mind, a market moving from five years of exceptional growth into what Cavendish Maxwell calls a more mature cycle, at a lower entry price, is worth evaluating on its own terms rather than dismissing because the headline says prices fell.

WHAT TO WATCH

The key data points to track over the next 12 to 18 months are whether Moody's forecast of a modest cooling holds or deepens, monthly price movement in the studio and one-bed apartment segment specifically since that is where Moody's expects declines to concentrate, and the pace at which the roughly 60,000 homes a year scheduled through 2028 actually get delivered and absorbed. Also worth watching is whether the 24% year to date gap in transaction value versus 2025 narrows or widens as the market moves past the summer slowdown, and whether Dubai Land Department's monthly figures, which showed AED 34.9 billion in transaction value and 13,930 transactions in July 2026, continue the downward trend seen into August.

THE BOTTOM LINE

04 What this means for Dubai investors

THE MEANING

For someone deciding whether to act now or wait, the practical takeaway is that this is not a market-wide correction, it is a market-wide deceleration with a segment-specific risk attached. A 1.7% annual price fall alongside almost AED 23.4 billion in August transactions is consistent with a market working through a large supply pipeline, not one facing a demand collapse. The discipline this calls for is the same discipline that protects capital in any cycle, know exactly which segment and which developer's payment structure and delivery track record you are buying into, because the outcome for a studio unit over the next 18 months is genuinely different from the outcome for other product types in this data.

> *“Here's the thing about a headline like this one, it tells you a number moved, it does not tell you why. Be straight with you, I have been expecting a number like 1.7% for a while, because you cannot add supply at double the historical rate without it showing up somewhere in the price data eventually. What I am watching is not whether the average moved, it is whether the segment breakdown matches what Moody's is describing, softness concentrated in studios and one-beds while the rest of the market holds. That is not a contradiction with 5 years of growth, that is what a market maturing actually looks like on paper. The investors who get this wrong are usually the ones reacting to the headline number instead of asking which segment they actually hold or are being offered. The investors who get it right are the ones asking about developer balance sheets, sales backlogs and delivery*

timelines before they ask about the discount.

BRADLEY JAMES, DUBAI REAL ESTATE INVESTMENT ADVISOR

SOURCES AND VERIFICATION

Elite Agent, Catherine Nikas-Boulos, 9 September 2026, citing Cavendish Maxwell data reported by Khaleej Times, and reporting by The National citing Moody's Ratings. Dubai Land Department, July 2026 transaction data. Central Bank of the UAE, 3-month EIBOR, September 2026.

Begin the conversation.

Every allocation starts with a candid, numbers-first discussion shaped around your mandate, risk profile and timeline.

Bradley James

ASSOCIATE DIRECTOR & SENIOR INVESTMENT ADVISOR

Bradley James is an Associate Director and Senior Investment Advisor based in Dubai, specialising in Dubai real estate, off-plan investment, strategic wealth allocation, portfolio diversification, and relocation and residency planning. He advises private investors and family offices on entering the Dubai market with the same rigour he applies to his own capital.

SPECIALISMS

- Dubai Real Estate
- Off-Plan Investment
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- Portfolio Diversification
- Relocation & Residency Planning

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SOURCES
Elite Agent, Catherine Nikas-Boulos, 9 September 2026, citing Cavendish Maxwell data reported by Khaleej Times, and reporting by The National citing Moody's Ratings. Dubai Land Dep

SCAN TO MESSAGE