

RESEARCH



# UAE OFFICE MARKET

**2016** MID-YEAR MARKET REVIEW

# OFFICE MARKET

The office market in Dubai remained relatively subdued during the first half of 2016. The slowdown in the economy and consequent cutbacks in the job market impacted demand for office space. In turn, rents remained flat across the majority of locations in Dubai, particularly for lower quality buildings in less developed locations.

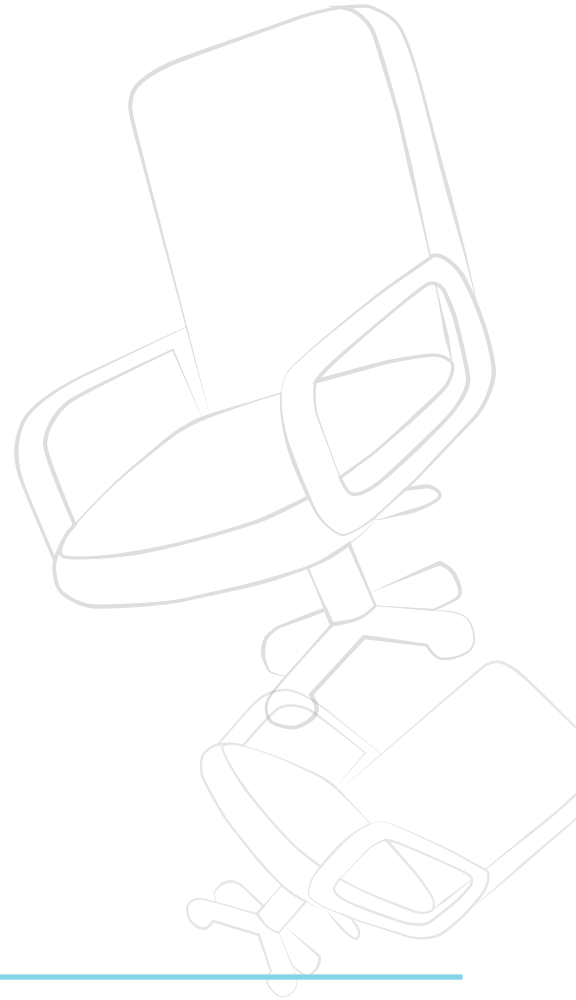
Performance in select areas with freezone status continues to be strong (e.g. Dubai Media/Internet City). Likewise, Grade A buildings continue to command strong rental rates as demand for quality space in central locations such as the Dubai International Financial Center (DIFC) remained robust. The established infrastructure, ease of accessibility, availability of parking space and developed amenities (F&B /retail) continue to play a key factor in corporates' choice of office space.

Elsewhere in Dubai we see a pick-up in demand for office space in the Dubai Design District (D3). The availability of quality space, dual licensing system (operating as both free zone and non-free zone), and proximity

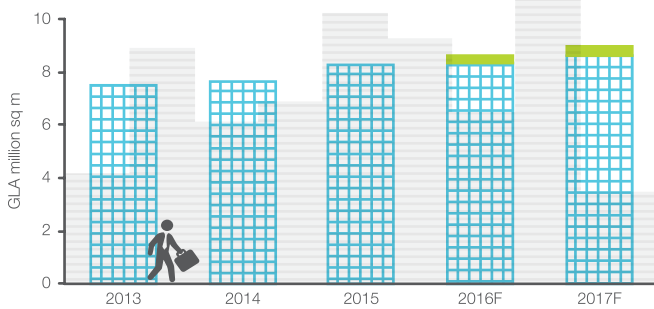
to Downtown Dubai has seen global and local designers, artists and creative entrepreneurs commit to the development. As such, D3 registered occupancy rates of 75% and saw an AED 45 per sq ft increase in rents over Q1 2016 (to reach c. AED 180 per sq ft).

The occupier market in Abu Dhabi continues to struggle as falling oil prices led to the restructuring of many Oil & Gas companies and Government Related Entities (GRE's); traditionally the largest occupiers of office space in Abu Dhabi. This has in turn impacted rental rates across the Emirate.

Asking rents in Abu Dhabi's prime commercial district, the Abu Dhabi Global Market (ADGM), maintained their levels at approximately AED 2,500 per sq m. Elsewhere across Grade A buildings in Abu Dhabi, landlords have maintained their asking rents given limited available quality stock and reduced supply completions. Meanwhile Grade B rents have declined on the back of weakened demand.

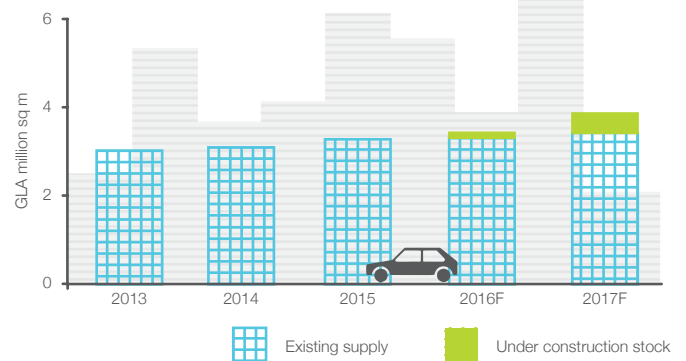


**FIGURE 1**  
Dubai office supply



Source: Knight Frank Research

**FIGURE 2**  
Abu Dhabi office supply



Existing supply Under construction stock

### Viewpoint

The performance of the office market in Dubai and Abu Dhabi is likely to remain muted for the remainder of the year as corporates scale back on expansion plans under the current global economic conditions.

In Dubai, we expect to see marginal declines in asking rents across Grade B buildings, while rents in grade A office space maintain their stability. In the medium-to-long term, the delivery of more quality space (e.g. ICD-Brookfield Place tower in the DIFC, Dubai World Trade Center - DWTC) is expected to exert downward pressure on the performance of Grade A space.

In Abu Dhabi, the short-term impact of the economic slowdown is likely to be offset by delays in the delivery of office space, which in turn will keep rents stable. In the long run however, rents are expected to soften as landlords strive to attract occupiers, and more space is released to the market (in addition to build to suit developments).



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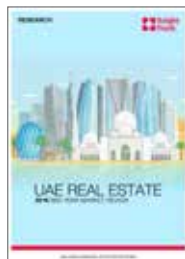
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