
Abu Dhabi Office Market Update



Q2 2019



KEY HEADLINES

Abu Dhabi's economy returned to growth in 2018, with GDP increasing by 1.9%, up from the 0.9% contraction witnessed a year earlier. This growth has been primarily driven by the oil sector which grew by 3.4%, up from the 2.9% contraction in 2017. Whereas the non-oil sector's growth has slowed marginally to 0.6% in 2018 from 0.9% in 2017.

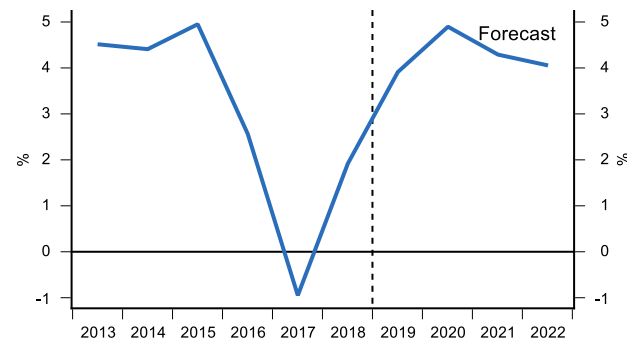
In Abu Dhabi, the economic recovery may be aided by a range of initiatives and new regulations designed to increase the ease of doing business, increased investments as part of the three year 'Ghadan 21' AED 50 billion (USD\$ 13bn) stimulus package and higher oil prices. As a result of these initiatives, alongside other investment programs which have been announced in early 2019, Abu Dhabi's GDP growth rate over the course of 2019 and 2020 is expected to strengthen, with GDP forecast to grow by 3.9% and 4.9% respectively.

As at Q2 2019 Prime rents across Abu Dhabi on average were recorded at AED 1,585/sqm, Grade A rents at AED 1,290/sqm and Citywide rents were recorded at AED 925/sqm.

On average, Grade A office rents across Abu Dhabi fell 3.1% in the year to Q2 2019. Whilst the rate of decline has moderated in the last six months, we expect rents to continue to soften in 2019.

Market wide vacancy in Abu Dhabi's market registered at 22% as at Q2 2019, down from 24% in the prior quarter.

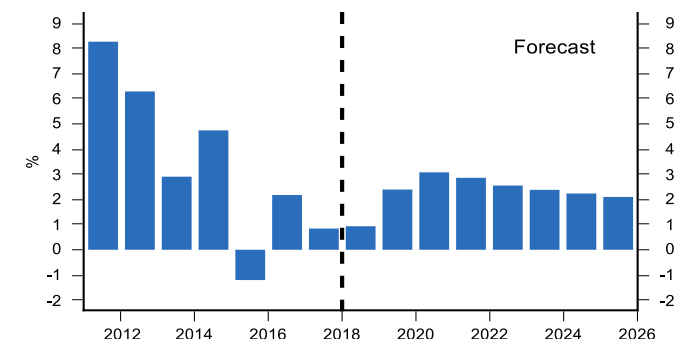
FIGURE 1
ABU DHABI GDP, Y-O-Y % CHANGE



	2018	2019	2020
Abu Dhabi GDP, % Change	1.9	3.9	4.9

Abu Dhabi's economy returned to growth in 2018, with GDP increasing by 1.9%, up from the 0.9% contraction witnessed a year earlier. This growth has been primarily driven by the oil sector which grew by 3.4%, up from the 2.9% contraction in 2017. Whereas the non-oil sector's growth has slowed marginally to 0.6% in 2018 from 0.9% in 2017. Abu Dhabi's GDP growth rate is expected to strengthen to 3.9% in 2019.

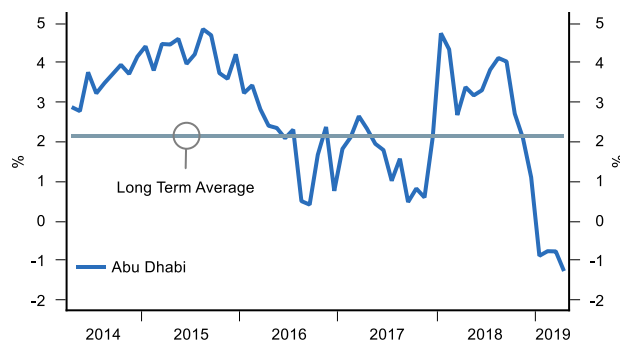
FIGURE 2
ABU DHABI EMPLOYMENT, Y-O-Y % CHANGE



	2018	2019	2020
Abu Dhabi Employment, % Change	0.9	2.4	3.1

Employment growth is expected to register a growth rate of 0.9% in 2018, this rate of growth is forecast to increase to 2.4% in 2019 and 3.1% in 2020.

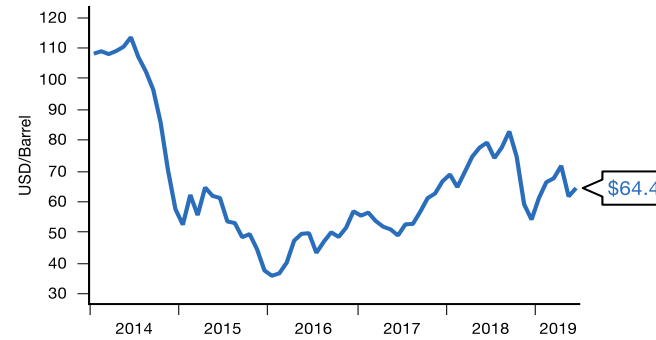
FIGURE 3
ABU DHABI CONSUMER PRICE INDEX, Y-O-Y % CHANGE



	1 Year ago	6 months ago	Latest
Abu Dhabi CPI, YOY % Change	3.4	2.7	-1.3

Abu Dhabi has witnessed deflation since the start of 2019 with prices falling by 1.3% in the year to April 2019. This trend has been driven by lower housing, clothing and footwear and food and beverage costs. Over the same period, transport costs increased marginally after falling for five straight months.

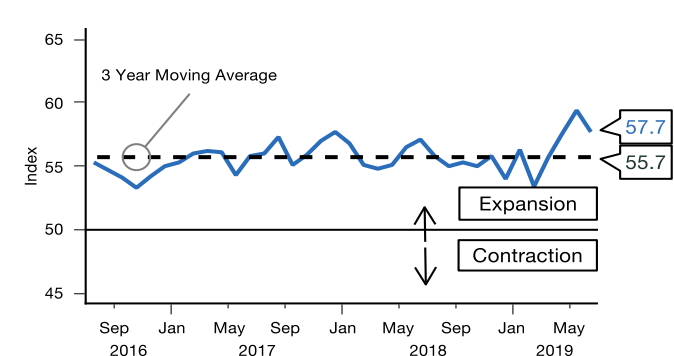
FIGURE 4
OIL PRICES



	End of month price	Latest	3 months ago	12 months ago
Oil Prices- Brent Crude (\$)		64.4	67.6	79.2

Oil prices have fallen to \$64.4 as at June 2019, down from \$79.2 a year earlier. Trade wars and slower economic growth have contributed to the lower price level. However, given recent geopolitical tensions we may see oil prices increase on the back of greater uncertainty and this trend will be further aided by the continuation of oil production cuts agreed by OPEC and OPEC+ nations.

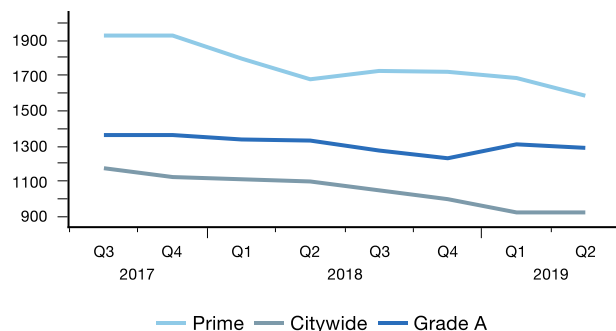
FIGURE 5
UAE PURCHASING MANAGERS' INDEX (PMI)



	Latest	3 months ago	12 months ago
Composite PMI	57.7	55.7	57.1

The Purchasing Manager's Index (PMI), which tracks non-oil activity in the UAE, registered a reading of 57.7 as at June 2019, down from the almost five year high of 59.4 posted last month. Output and new work continue to underpin the strong result of the index, however this is amidst lower selling prices, whilst input prices have remained relatively steadfast. As a result, firms are still under cost pressures and increased activity has not led to growth in employment, in June none of the firms surveyed reported hiring.

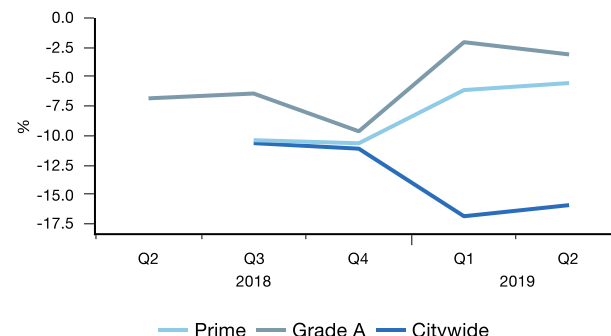
FIGURE 6
ABU DHABI OFFICE RENTS, AED/SQM



(AED/sq. m./p.a.)	Prime	Grade A	Citywide
Q2 2019	1,585	1,290	925

As at Q2 2019 Prime rents across Abu Dhabi on average were recorded at AED 1,585/sqm, Grade A rents at AED 1,290/sqm and citywide rents were recorded at AED 925/sqm.

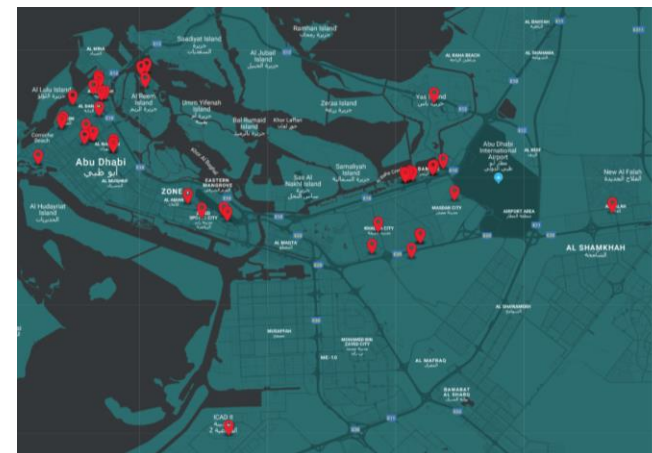
FIGURE 7
ABU DHABI OFFICE RENTS, YEAR-ON-YEAR % CHANGE



	Prime	Grade A	Citywide
Y-o-Y % Change	-5.5	-3.1	-15.9

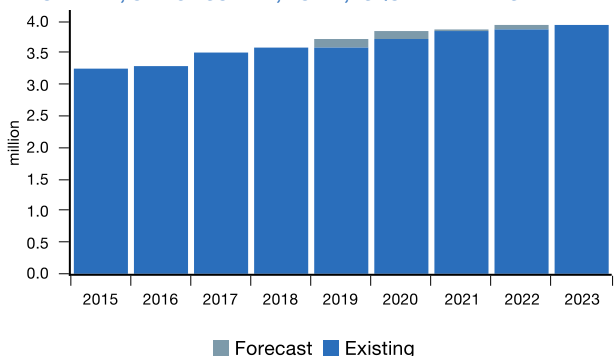
On average, Grade A office rents across Abu Dhabi fell 3.1% in the year to Q2 2019. Whilst the rate of decline has moderated in the last six months, we expect Grade A rents to continue to soften in 2019.

FIGURE 8
ABU DHABI OFFICE SUPPLY MAP – STUDY, DESIGN AND EXECUTION



Currently there are estimated to be 44 active projects within Abu Dhabi, with delivery dates up to 2021, which are either being executed or in the study or design phase. The total value of these projects currently is estimated at US\$ 1.34bn.

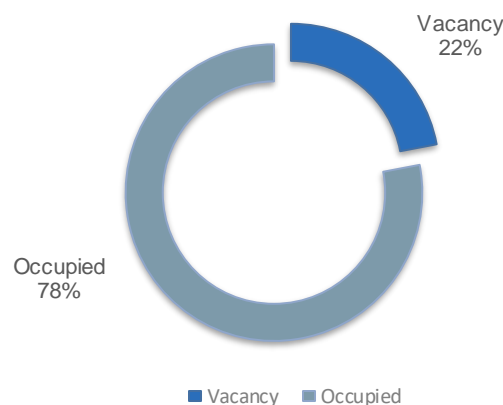
FIGURE 9
ABU DHABI, OFFICE SUPPLY, TOTAL, SQUARE METRES



	2018	2019	2020	2021
Total stock (Million square metres)	3.58	3.71	3.84	3.87

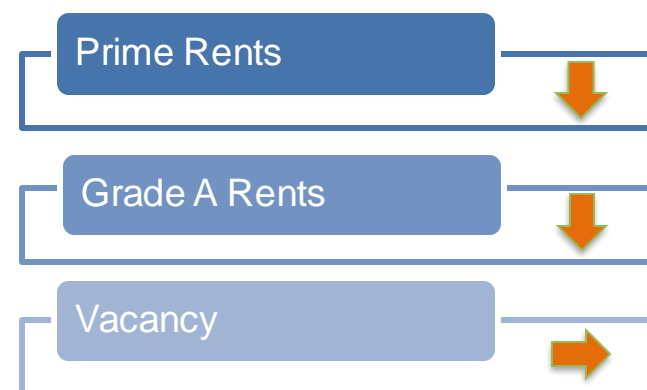
Abu Dhabi currently has stock of around 3.58 million square metres of commercial space. By 2021 total supply of commercial property is expected to be around 3.87 million square metres. However, much of this expected stock is owner occupied or being pre-leased.

FIGURE 10
ABU DHABI, MARKET WIDE INDICATIVE VACANCY



Market wide vacancy in Abu Dhabi's market registered at 22% as at Q2 2019, down from 24% in the prior quarter. Grade B stock has seen vacancy increase, whereas Grade A and Prime stock has seen vacancy remain steady and decrease marginally respectively over the last quarter.

FIGURE 11
ABU DHABI MARKET OUTLOOK, 12 MONTHS



We expect that market conditions in Abu Dhabi's office sector will remain challenging with rental rates continuing to fall. However we expect that the rate of decline is likely to start to moderate as non-oil activity strengthens and demand from occupiers begins to return.