

RESEARCH

A photograph of a modern office building's interior, featuring a wide, light-colored wooden staircase with glass railings. Several business professionals in formal attire are captured in motion, walking up and down the stairs. The image is blurred to convey a sense of activity and movement.

ABU DHABI MARKET INSIGHT

H1 2017

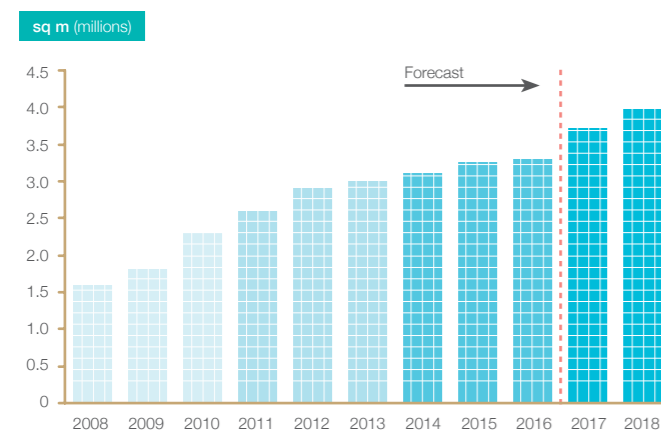
CONTINUED DOWNWARD PRESSURE ON THE OCCUPATIONAL MARKET IN 2017

MARKET INSIGHT

Oil price instability... on the road to recovery?

- The International Monetary Fund (IMF) estimates that overall real GDP growth in the UAE registered 3.9% in 2015 and is expected to fall in 2016 to 2.3%(f) before seeing gradual recovery to 2.5%(f) in 2017.
- Current WTI Oil prices have recovered to USD 54 a barrel from this time last year when oil was c. USD 36 a barrel, which should assist government reviews on federal spending in 2017/18. There are some analysts predicting that average oil prices will stabilise around USD 60 between 2016 and 2020.

FIGURE 1
Abu Dhabi office stock, 2008 - 2018

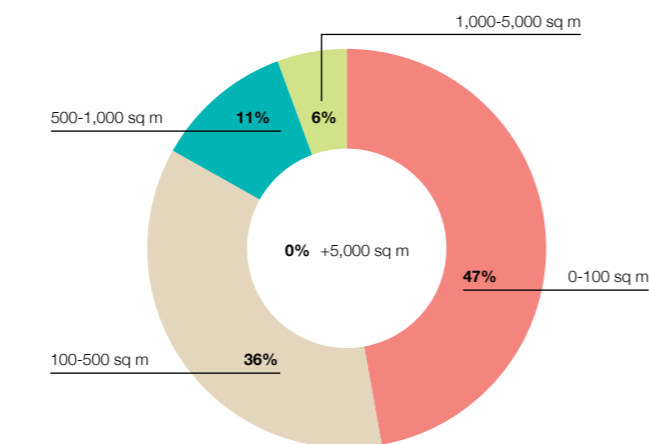


Source: Knight Frank Research

Free zone development remains subdued in Abu Dhabi

- Abu Dhabi did not introduce any new legislation for more free zones in 2016 and it is not expected to implement any in 2017, either which could help develop sectors within the economy and spur growth.
- Abu Dhabi has seven free zones compared with over twenty three main free zones in Dubai.
- The lack of choice and varied regulation of the free zones could impact on the recovery in the occupier sector as companies look to set up operations within Dubai rather than Abu Dhabi.

FIGURE 2
Size requirements, H2 2016



Source: Knight Frank Research

Market comment

- There is continued downward pressure on the occupier market in Abu Dhabi as weak market sentiment affects new and existing demand.
- We witnessed a marked slowdown in the number of enquiries in 2016, partly due to companies reviewing the impact of falling oil prices and the consequential effects on federal spending and the implications on the wider regional and international markets.
- The global markets have been pensive as they 'look and wait' to see the outcome of the British referendum (BREXIT) and the US elections and the impact that Donald Trump could have upon global markets and trade.
- The main demand for offices was up to 100 sq m, with over 47% of enquiries within this size range, see Fig. 2.
- Demand continued for fitted premises which are (plug and play) with the aim of minimising capital expenditure.
- Grade A and prime supply remains subdued which will be important for landlords to maintain headline rents. There are limited new developments under construction, and of those we could see some further delay in completion.
- Prime office rents remained steady in H2 2016 to AED 1,700 per sq m, whilst rental values for Grade A shell and core office space declined to AED 950 per sq m, however we expect this to soften in 2017 as landlords provide greater incentives.

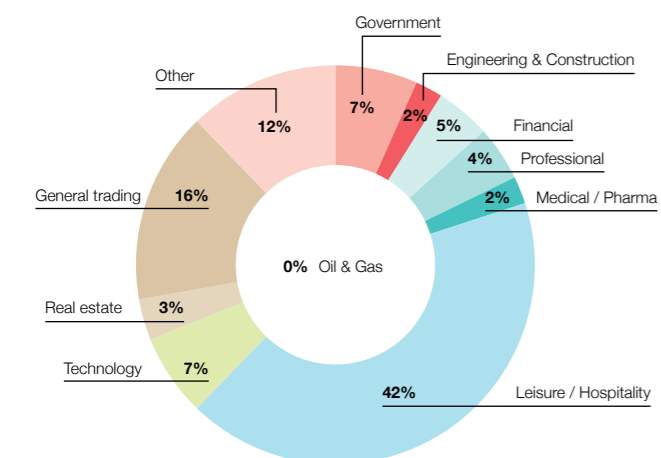
Market Sentiment

- Buildings that do not meet occupiers' exact requirements in terms of specifications, parking, access and egress will face continued voids as occupiers that are planning to relocate, review the market more carefully.
- Occupiers are looking for one central office for the UAE with greater opportunities for both offices and housing, making Abu Dhabi less competitive.
- Occupier confidence has also been affected by the consolidation and merger of large Abu Dhabi entities including Mubadala & IPIC and NBAD & FGB and the effect that these and future changes may have on the market.



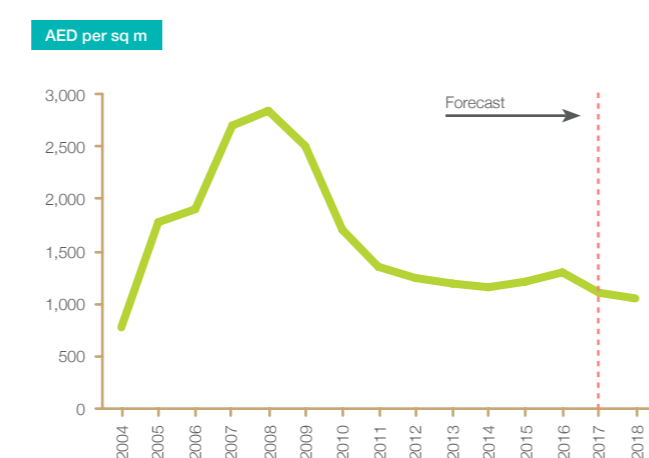
Abu Dhabi Corniche

FIGURE 3
Demand by sector, H2 2016



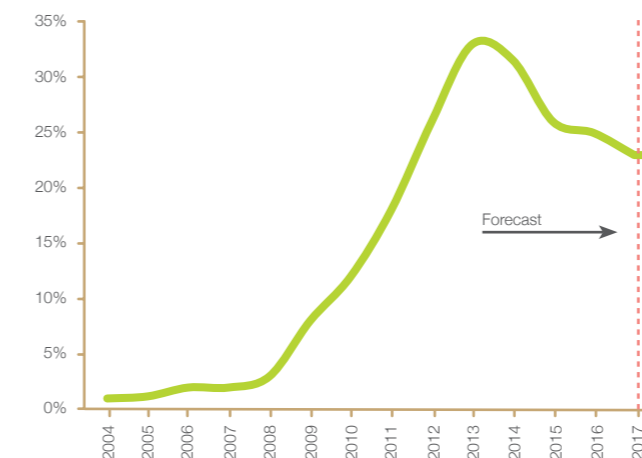
Source: Knight Frank Research

FIGURE 4
Average Grade A shell & core office rents, Abu Dhabi



Source: Knight Frank Research

FIGURE 5
Vacancy rate, Abu Dhabi



Source: Knight Frank Research

FIGURE 6
Key Market Indicators

	Headline rents	Trending
Prime rents (Fitted)	AED 1,700 per sq m per annum	↘
Grade A (Fitted)	AED 1,200 per sq m per annum	↘
Prime rents (S&C)	AED 1,400 per sq m per annum	↘
Grade A (S&C)	AED 950 per sq m per annum	↘
Availability	23%	↗

Source: Knight Frank Research



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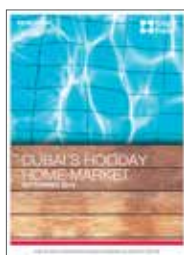
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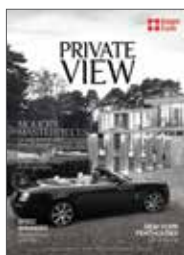
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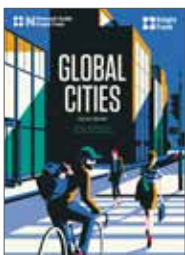
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