

A low-angle, upward-looking shot of a modern glass skyscraper, likely the Burj Khalifa, with a circular glass structure in the foreground framing the view. The image has a blue tint.

Q3 2013 DUBAI OFFICES

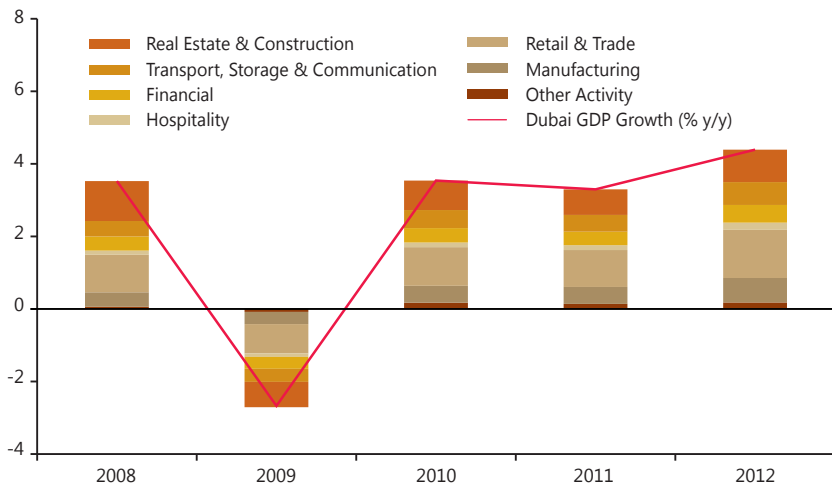
Market update

HIGHLIGHTS

- Dubai's strengthening economic fundamentals and improving labour market have supported the rise in prime office occupancy rates so far this year. Nevertheless, for now, office rental values across the emirate remain static.
- With economic prospects brightening, occupiers are increasingly looking to capitalise through expansion. That in turn has helped to boost demand for office space, albeit this, for the time being at least, is limited to prime stock.
- Landlords are achieving quoting rents on Grade A office buildings from smaller occupiers. However, they continue to offer incentives to larger "blue-chip" occupiers in order to secure a reliable income stream.
- Over the next year, we anticipate that office occupier demand will continue to rise. But development activity should also quicken, which in turn should keep rents fairly stable. In the longer-term, if the emirate is awarded the 2020 World Expo, the office sector may benefit from a general uplift in economic sentiment.

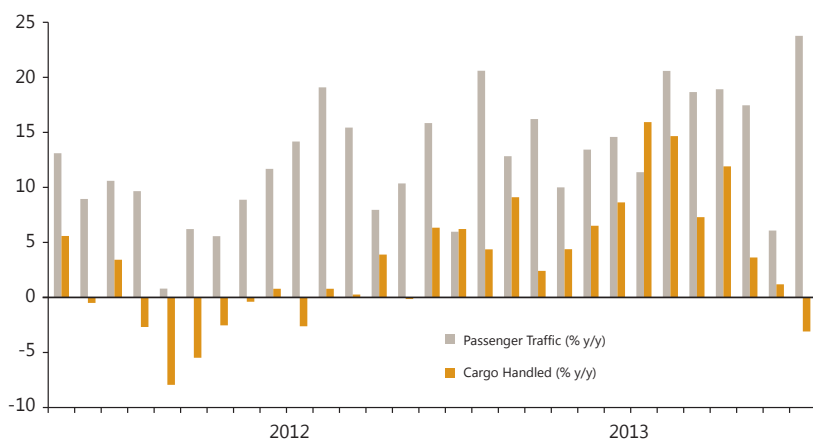
Economic overview

Figure 1
Dubai GDP growth (% y/y) and contribution by main sectors (%)



- Last year, Dubai's economy gained further momentum. GDP expanded by 4.4%, faster than 2011's 3.3% rise. Retail & trade and manufacturing were the biggest contributors to economic growth, adding 1.3% and 0.7% respectively. The latter was also among the best performing sectors, with output increasing by 13.1% y/y. Hospitality grew fastest, with activity rising by 16.9% y/y.
- In 2013, Dubai's economy made a strong start to the year. According to the Dubai Economic Council, GDP growth accelerated from 4.1% in Q1 to 4.7% in Q2. The expansion was broad-based, with output rising in the financial, transport, storage & communication, real estate, construction and manufacturing sectors.
- With Dubai reliant on the "three T's" – trade, transport and tourism – passenger traffic and cargo handled are important indicators of economic activity. Recent data on these measures have been mixed. In August, while passenger traffic at Dubai International Airport rose 24% to 23.8% y/y, cargo volumes fell by 3.1% y/y – the first annual decline since May 2012.
- A recent announcement may spur further activity in Dubai's financial services sector, which accounted for 11% of total GDP in Dubai last year. The emirate hopes to establish itself as the global Shariah capital by becoming a leading hub for sukuk and Islamic financial services. Estimates show that the global Islamic economy is growing at an annual rate of 10-15%, with finance and insurance the main drivers.

Figure 2
Passenger traffic and cargo handled (% y/y)



MARKET COMMENT

- Recent completion of projects along Sheikh Zayed Road and Downtown has increased the level of supply in those areas, adding a healthy level of competition to existing onshore developments.
- Developers who have persisted and delivered high-end projects in established business districts are now looking to capitalise on current and future occupier demand.
- While corporate occupiers continue to consider strata title buildings, the associated complexities mean that they prefer those that are solely owned. Smaller, start-up occupiers, however, see strata accommodation as a viable and cost effective option.

Figure 3
Dubai office stock (2008 - 2014)

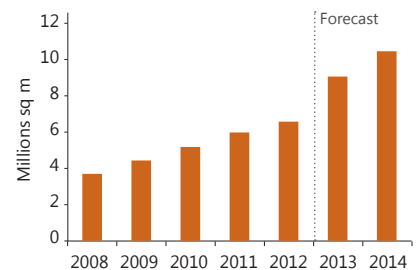
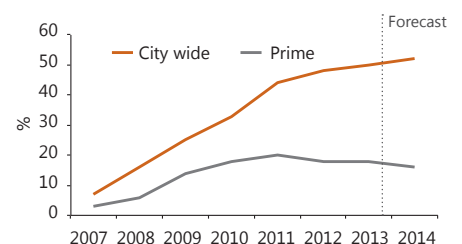


Figure 4
Tenant market indicators (AED/sq m)

DIFC	2,530	▶
Prime Rents	1,830	▲
Grade A	1,615	▲
Grade B	860	▲
Availability / Vacancy	50%	▶
Average Rent Free Inducement	10%	▼

Figure 5
Total vacancy rates



DUBAI WORLD CENTRAL INSIGHT

- With the Expo 2020 host city announcement due in November, investors, developers and occupiers are beginning to look at Dubai World Central as a potential hub of activity. The emirate is currently tipped as the favourite to be awarded the event.
- Moreover, with the Dubai World Central HQ building now near full occupancy, including global FMCG corporates such as Nestle, occupiers are starting to consider available space within the surrounding business park buildings.
- The announcement that the passenger terminal is on course to be opened on 27 October 2013 is likely to stimulate further occupational interest from service providers and manufacturing firms. When completed Al Maktoum International Airport will be the largest airport in the world, with five runways and a capacity of up to 160 million passengers.
- With Dubai Airports' CEO Paul Griffiths recently raising questions over the long-term future of the existing Dubai International Airport, Dubai World Central is well placed to benefit from the potential shift in activity southwards.

Figure 6
Indicative rents by district Q3 2013 (AED/sq m)

	Indicative for fitted accommodation	Trending
TECOM C	700	▲
Bur Dubai / Oud Metha	860	▶
JLT	1,025	▲
Business Bay	1,075	▲
Deira	1,075	▶
Festival City	1,075	▶
Sheikh Zayed Road	1,400	▲
Emaar Square / Downtown	1,615	▶
Media City	1,615	▼
Internet City	1,615	▼
Knowledge Village	1,615	▼
DIFC	2,530	▶

MARKET VIEW

- Since the beginning of this year, rental values for prime office buildings under sole ownership have risen in Business Bay and Jumeirah Lake Towers.
- We expect occupier demand for office space to continue to rise over the next year, with take-up driven by new start-ups, as well as corporate occupiers looking to expand or relocate to larger premises.
- With market sentiment improving, developers have begun work on new projects, or reactivated previously mothballed schemes. That suggests that, over the next year, rising demand will likely be offset by increased supply, which in turn should keep office rents more or less stable.

Figure 7
Demand by sector

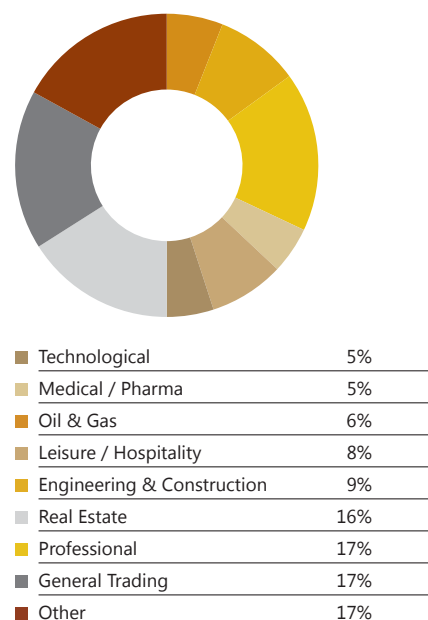


Figure 8
Enquiries Q3 2013
Size of requirement (sq m)

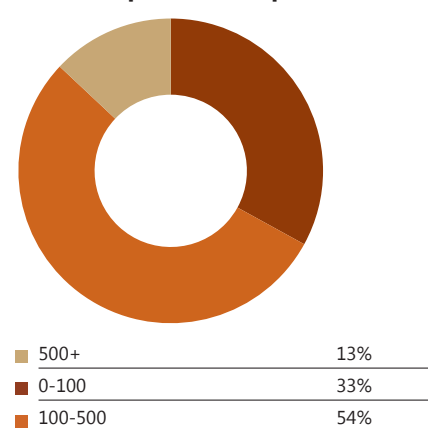
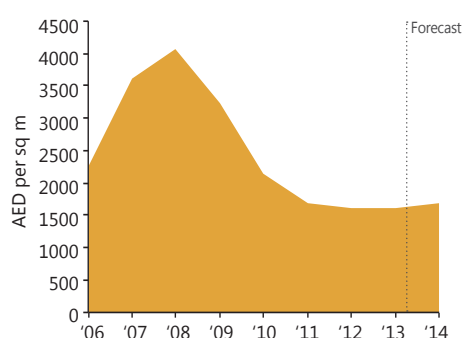


Figure 9
Prime rental rates for office space
in Dubai excluding DIFC



Americas

USA
Bermuda
Brazil
Canada
Caribbean
Chile

Australasia

Australia
New Zealand

Europe

UK
Belgium
Czech Republic
France
Germany
Hungary
Ireland
Italy
Monaco
Poland
Portugal
Romania
Russia
Spain
The Netherlands
Ukraine

Africa

Botswana
Kenya
Malawi
Nigeria
South Africa
Tanzania
Uganda
Zambia
Zimbabwe

Asia

Cambodia
China
Hong Kong
India
Indonesia
Macau
Malaysia
Singapore
Thailand
Vietnam

The Gulf

Abu Dhabi, UAE
Bahrain
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Technical Note

- Floorspace has been sub-divided into Prime, A & B grade accommodation, reflecting high and low quality respectively. Whilst subjective, this categorisation is based on an assessment of each property's age, car parking ratio, specification, quality of finish, location, situation and overall attractiveness.
- Category A works comprise services, lift safety elements and basic fittings and finishes for the operation of lettable work space, including but not limited to suspended ceilings; raised floors and skirting; cooling and heating services.
- A Tenant Inducement % is the proportion of rent free period over the term certain.
- The U.A.E Dirham is pegged to the US Dollar at a rate of USD 1 : AED 3.673.

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