
ABU DHABI
OFFICE MARKET
UPDATE.

Q1 2020

Economic Update.

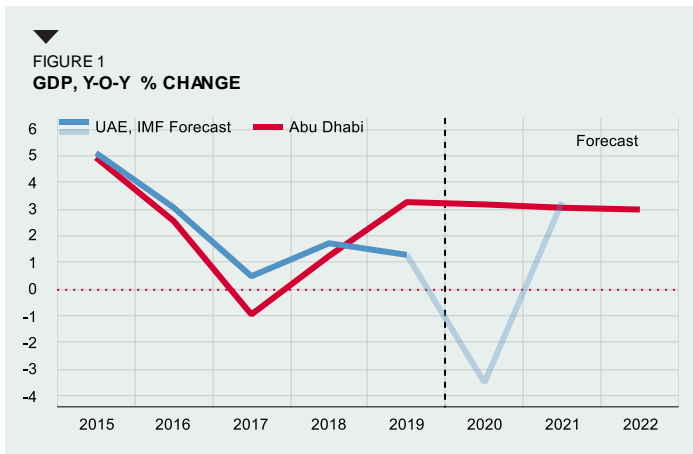
KEY HEADLINES

Initial estimates show that Abu Dhabi's GDP grew by 3.3% in 2019, up from 1.2% in 2018. However, as a result of COVID-19 we are likely to see this upward trajectory in GDP come to a halt.

The Purchasing Managers' Index (PMI), which tracks non-oil activity in the UAE, registered a reading of 45.2 in March 2020, its lowest reading on record. With a national lockdown in place, both new work (39.4) and employment (44.8) fell at the fastest pace on record. With the survey being carried out in the early stages of the lockdown and with the severity of the lockdown only increasing after this period, we are likely to witness further deterioration in the UAE's PMI in April 2020.

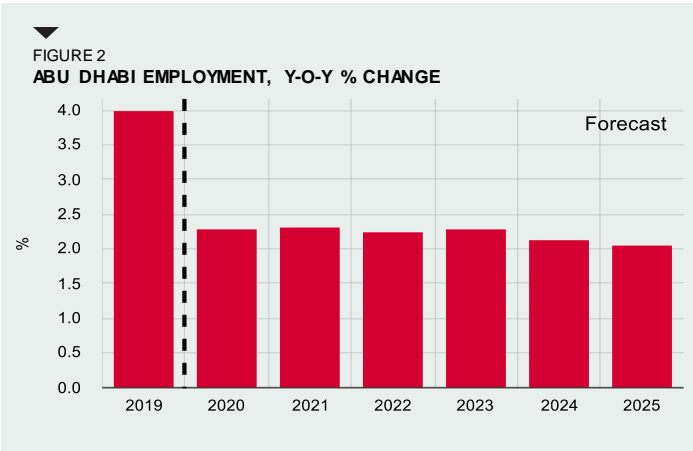
In response to the COVID-19 pandemic, the Abu Dhabi government has announced a 16-point economic stimulus package, which seeks to support economic activity and reduce the cost of living in the Emirate. Alongside this, we have seen various initiatives, including but not limited to rent holidays, undertaken by private or semi-private entities to support businesses and residents.

Looking ahead, prior to the COVID-19 pandemic, Abu Dhabi's GDP was expected to grow by 3.2% in 2020. However, given the severe impact the pandemic continues to have on both the oil and non-oil sector we are likely to witness Abu Dhabi's GDP contract in 2020. The IMF estimates that the UAE's economy will contract by 3.5% in 2020 before expanding by 3.3% in 2021.



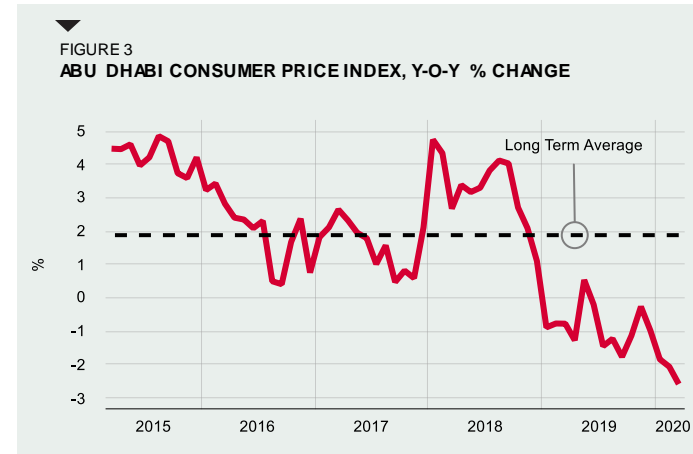
	2019	2020	2021
Abu Dhabi GDP, % Change	3.3	3.2	3.1

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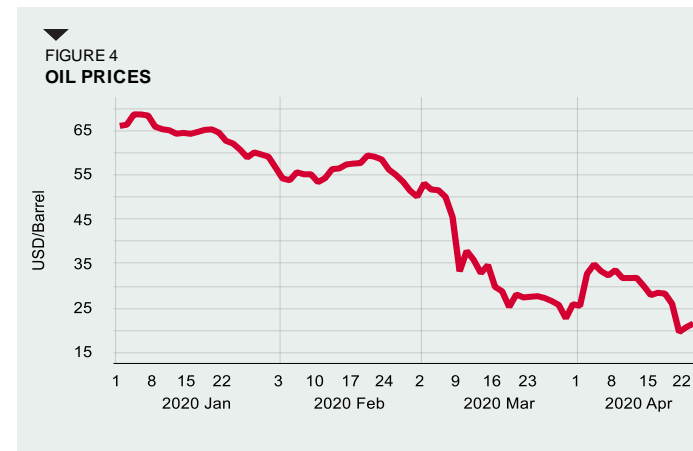
	2019	2020	2021
Abu Dhabi Employment, % Change	4.0	2.3	2.3

Employment in Abu Dhabi is expected to register a growth rate of 4.0% in 2019 according to Oxford Economics. Whilst initial forecasts indicated that employment was set to increase by 2.3% in 2020, given the current economic backdrop, we now expect that employment is likely decline in 2020 before recovering in 2021.



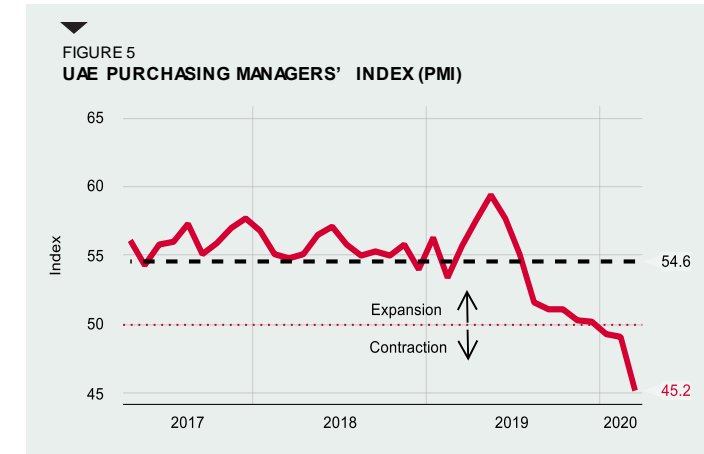
	1 Year ago	6 months ago	Latest
Abu Dhabi CPI, YOY % Change	-0.8	-1.1	-2.5

Abu Dhabi has witnessed deflation since the start of 2019, a trend which has not reversed since with prices falling by 2.1% in the year to March 2020. This trend has been driven by lower housing, transport, recreational activities and communications costs. Over the same period, food and beverage costs, which carry a 12.3% weighting in Abu Dhabi's CPI basket, increased by 5.0%.



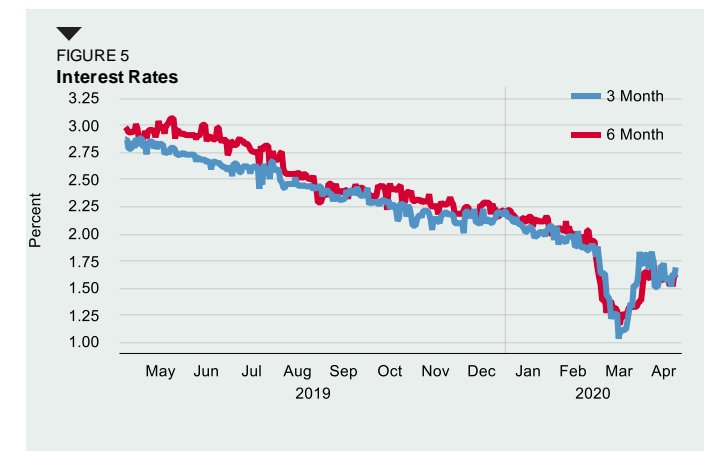
	Latest	3 months ago	12 months ago
Oil Prices - Brent Crude (\$)	21.6	62.0	74.3

With the COVID-19 outbreak leading to over a third of the world's population to go into lockdown and a cessation of almost all international travel, oil demand has fallen sharply. This coupled with a price war has led to prices falling to \$21.6 pb as at April 23rd, down from \$62 pb three months earlier. Despite OPEC+ reaching a historic deal to moderate production, oil prices are likely to remain subdued until global lockdown restrictions are eased and demand normalises.



	Latest	3 months ago	12 months ago
Composite PMI	45.2	50.2	55.7

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	Latest	3 months ago	12 months ago
6-Month EIBOR	1.60	2.12	2.98

Due to the projected impact of COVID-19 on the US economy, the US Federal Reserve reduced the Federal Fund Target Rate from 1.75% to 0.25% in March 2020. Given the UAE Dirham's Dollar peg, the UAE Central Bank in turn reduced its policy rate from 2.0% to 1.5% in March 2020. As a result, as at April 23rd 2020, the EIBOR 6 month fix stood at 1.60% down from 2.12% three months earlier.

Abu Dhabi Office Market Update.

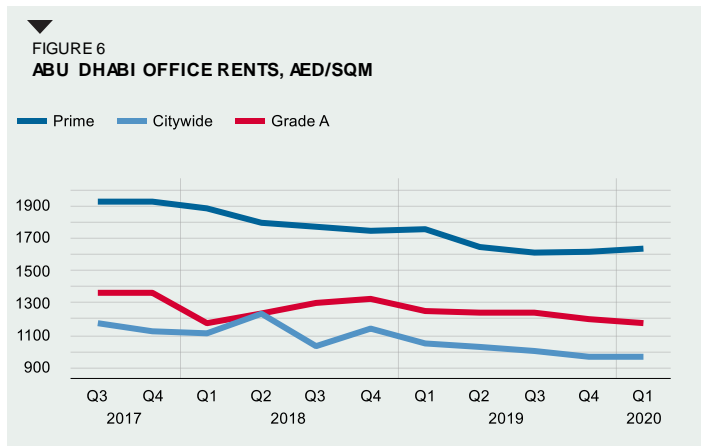
KEY HEADLINES

As at Q1 2020 average Prime rents across Abu Dhabi were recorded at AED 1,635/sqm, average Grade A rents at AED 1,176/sqm and average Citywide rents at AED 968/sqm.

On average, Citywide office rents across Abu Dhabi fell 7.8% in the year to Q1 2020, whilst Prime and Grade A rents fell by 6.8% and 6.0% respectively over the same period.

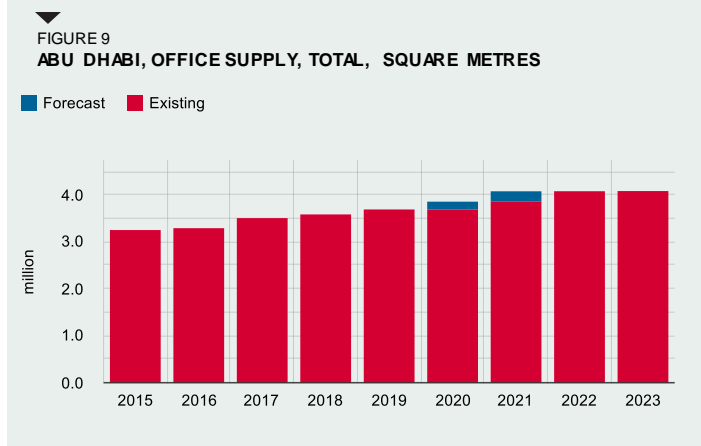
Market wide vacancy in Abu Dhabi's office market registered at 23% as at Q1 2020, down marginally from a quarter earlier. Citywide and Grade A stock have seen vacancy increase on average over the last quarter, whereas Prime stock has seen vacancy levels decrease over this period.

Given the current downcast economic backdrop, we expect that Abu Dhabi's occupier market will remain tenant favoured for the foreseeable future. The COVID-19 pandemic is likely to lead to lower levels of activity in the short run as corporates adopt a wait-and-see approach before enacting any expansion or capital expenditure plans.



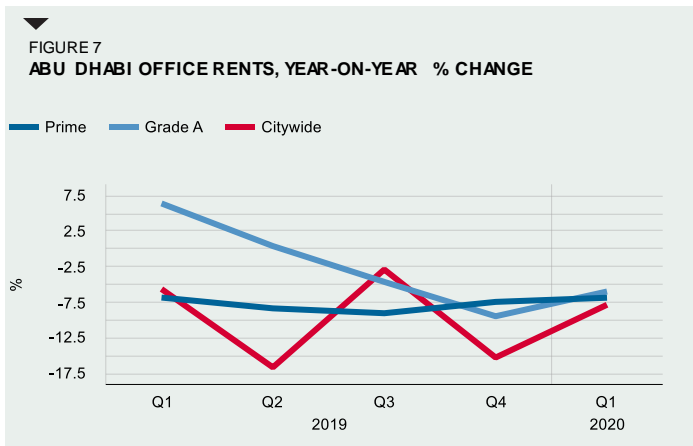
(AED/sq. m/p.a.)	Prime	Grade A	Citywide
Q1 2020	1,635	1,176	968

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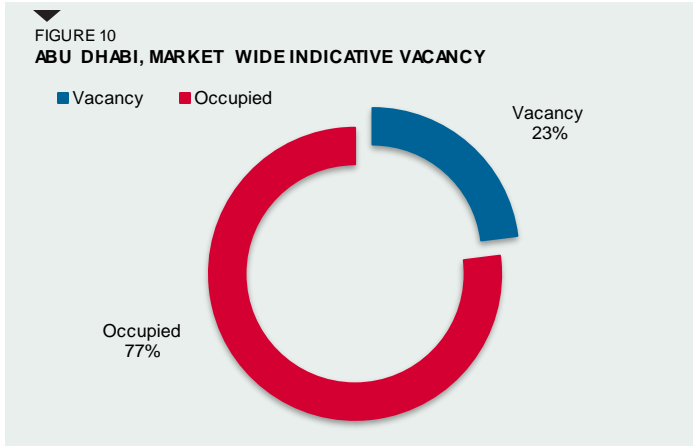
	2019	2020	2021	2022
Total stock (Million square metres)	3.69	3.86	4.07	4.08

Abu Dhabi currently has stock of around 3.69 million square metres of commercial office space. By 2022 total supply of commercial office space is expected to be around 4.08 million square metres.

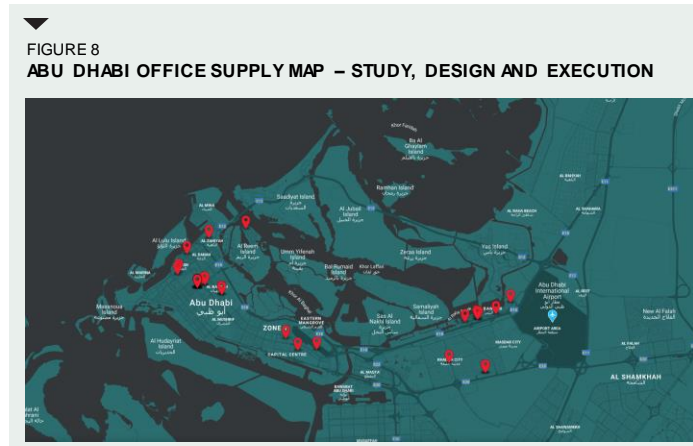


	Prime	Grade A	Citywide
Y-o-Y % Change	-6.8	-6.0	-7.8

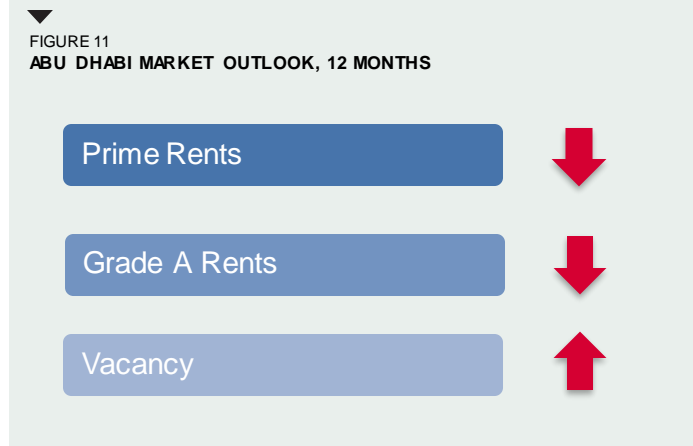
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Currently there are estimated to be 39 active office projects within Abu Dhabi, with delivery dates up to 2023 which are either being executed or in the study or design phase. The total value of these projects currently is estimated at US\$ 1.30bn.



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