
ABU DHABI OFFICE MARKET UPDATE.

Q1 2021

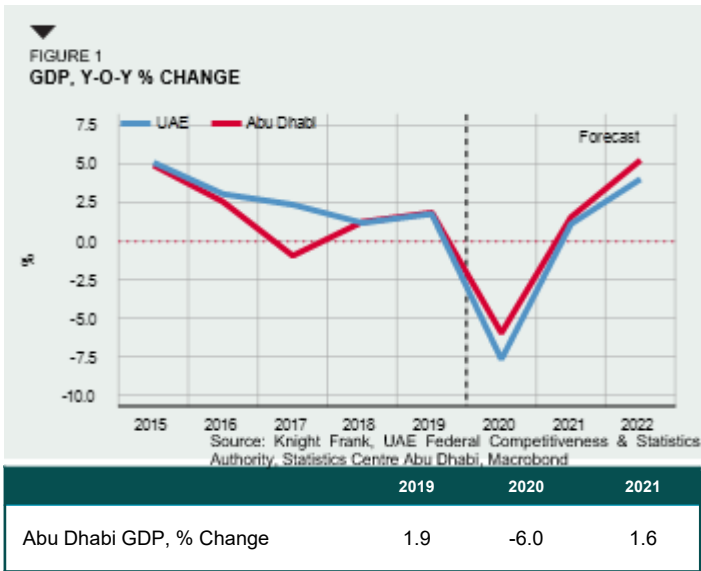
Economic Update.

KEY HEADLINES

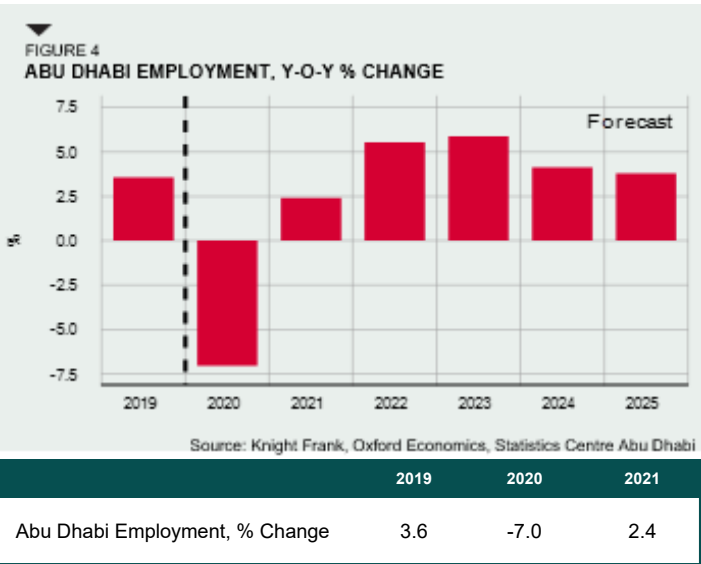
Abu Dhabi's GDP contracted by 6% in 2021, after growing by 1.9% in 2019. The headwinds to growth induced by the pandemic whilst severe, were less of a drag to growth compared to neighbouring Dubai. A recovery in global oil demand in late 2020 helped to reverse some of the economic losses, but growth was still below the historic average of 2.6% p.a. Growth is expected to resume in 2021, fuelled by an opening up of the economy and a world leading vaccination programme.

The UAE's Purchasing Managers' Index (PMI), which tracks business confidence in the country's private non-oil economy, recorded a reading of 52.7 in April, the highest level since June 2019 and the fifth consecutive month a reading over 50 has been registered, indicating continued business expansion. The improving conditions have been linked to the speed of the national vaccination programme, although the rate of improvement is below the 12-year historic average.

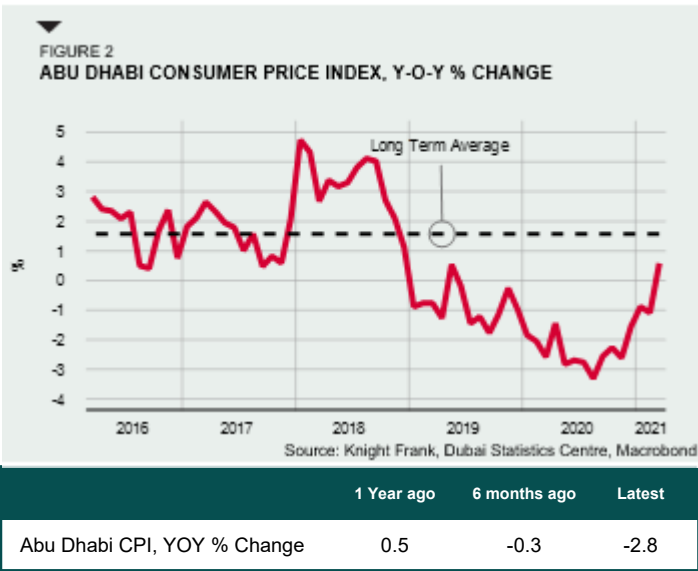
Overall employment in Abu Dhabi contracted by 7.0% during 2020 as the impact of the pandemic slowed growth and drove headcount reductions globally. Employment levels are expected to rise by 2.4% this year, aided by the government's Ghadan-21 AED 50 billion stimulus package, which is driving innovation and business growth.



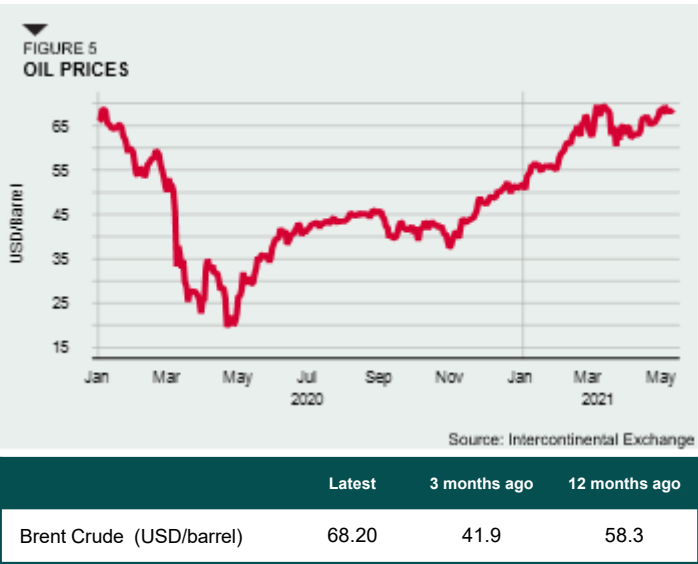
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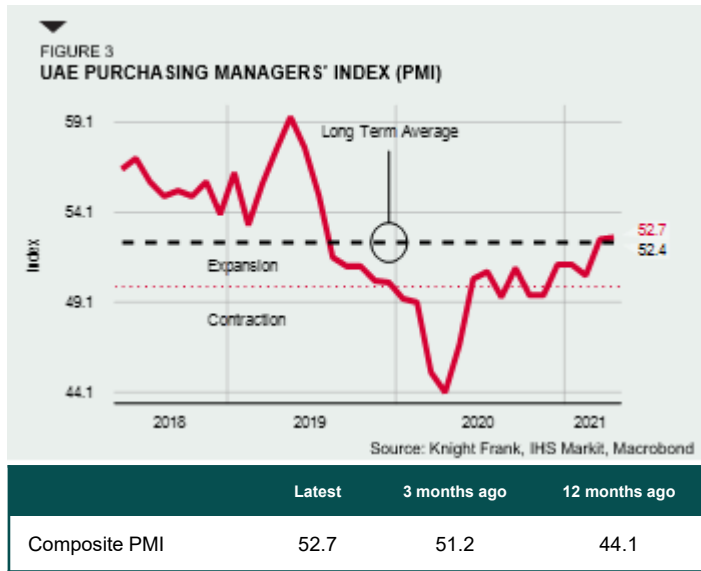
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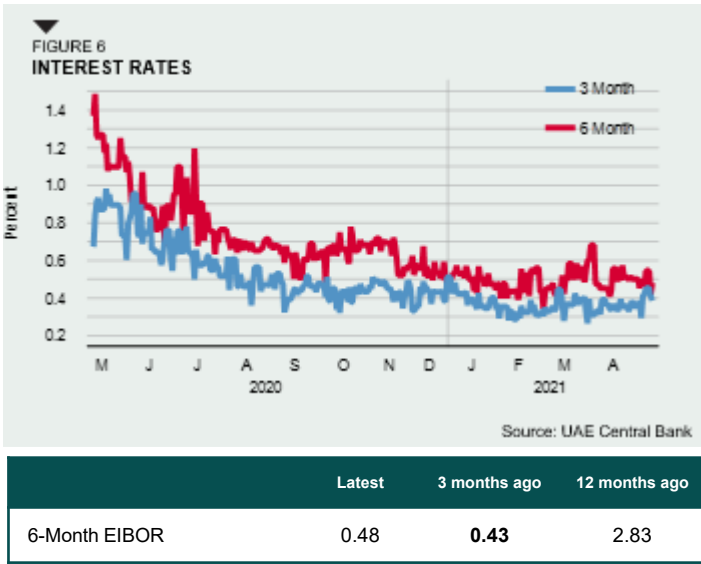
Abu Dhabi has experienced deflation since late 2018, a trend which has begun to reverse in December 2020. In the 12-months to the end of March 2021, prices were up 0.6%, a jump on the -1.1% 12-month change recorded at the end of February.



The price of oil has continued to recover so far this year as global lockdown measures have eased and major economies have begun to reopen. Jitters around possible global inflation spikes and the emergence of new variants has begun to curb the rate of increases, however at c.USD 68 per barrel in mid-May, they are well above the Covid-induced low of USD 20 per barrel registered last April. Still, the EIA expects Brent Crude to average USD 61 per barrel in H2 2021.



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The UAE's fixed peg to the US Dollar has meant a continued mirroring of the headline US Rate policies. Given the protracted impact of the pandemic on the US economy, the US Federal Reserve reduced the Federal Fund Target Rate from 1.75% to 0.25% in March 2020. The UAE Central Bank followed suit, reducing its policy rate from 2.0% to 1.5% in March 2020. Both benchmark rates have remained unchanged since. As at 11 May, the EIBOR 6-month fix stood at 0.39%.

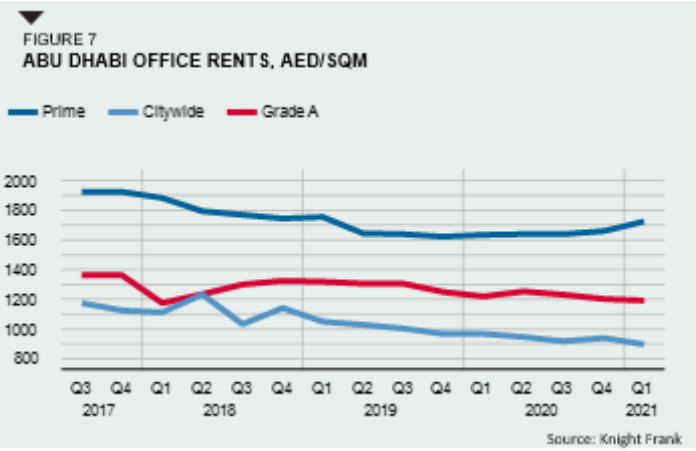
Abu Dhabi Office Market Update.

KEY HEADLINES

As at Q1 2021, average Prime office rents across Abu Dhabi were recorded at AED 1,725 psm, -3.9% up on Q4 2020. Meanwhile, average Grade A office rents stood at AED 1,192 psm at the end of Q1, -0.9% down on Q4 2020, while Citywide rents fell to AED 897 psm, from almost AED 940 psm during Q4 2020.

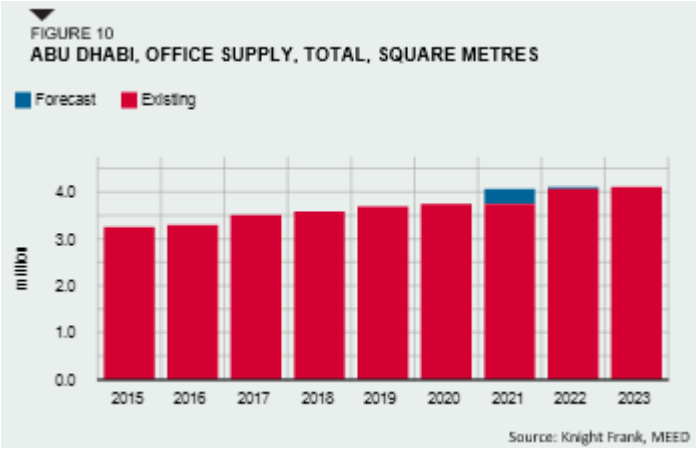
On an annual basis, Prime office rents were 5.5% higher at the end of Q1 2021, while Grade A rents have fallen by -2.3% over the same period. Citywide rents experienced the steepest falls in the 12-months to the end of Q1, declining by -7.3%.

Market wide vacancy in Abu Dhabi's office market registered at 21.7% at the end of Q1 2021, down slightly from 21.9% at the end of last year. Meanwhile Prime office space registered a vacancy rate of 25.6% at the end of Q1 2021, down from almost 29% in Q1 2020. Grade A offices currently have a vacancy rate of 22.3%, while 15.4% of Grade B space across the city is vacant.



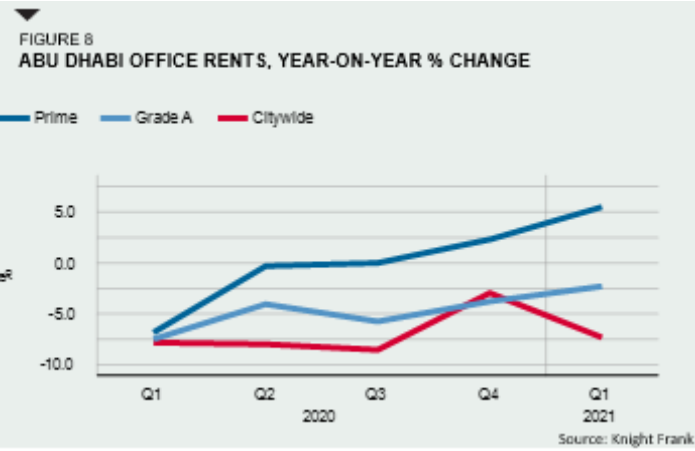
(AED psm/p.a.)	Prime	Grade A	Citywide
Q1 2021	1,725	1,192	897

As at Q1 2021, average Prime office rents across Abu Dhabi were recorded at AED 1,725 psm, 3.9% up on Q4 2020. Meanwhile, average Grade A office rents stood at AED 1,192 psm at the end of Q1, -0.9% down on Q4 2020, while Citywide rents fell to AED 897 psm, from almost AED 940 psm during Q4 2020.



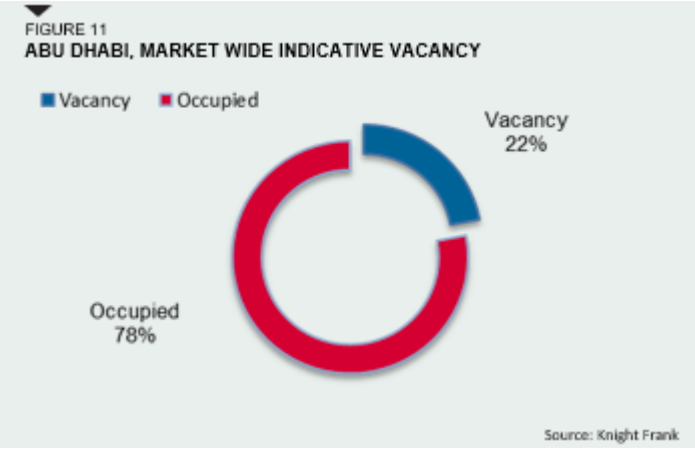
	2019	2020	2021	2022
Total stock (million square metres)	3.69	3.74	3.75	4.07

As at Q1 2021, Abu Dhabi has a total of around 3.75 million sqm of commercial office space. By 2022, total stock levels are expected to cross 4 million sqm.



	Prime	Grade A	Citywide
Y-o-Y % Change	5.5	-2.3	-7.3

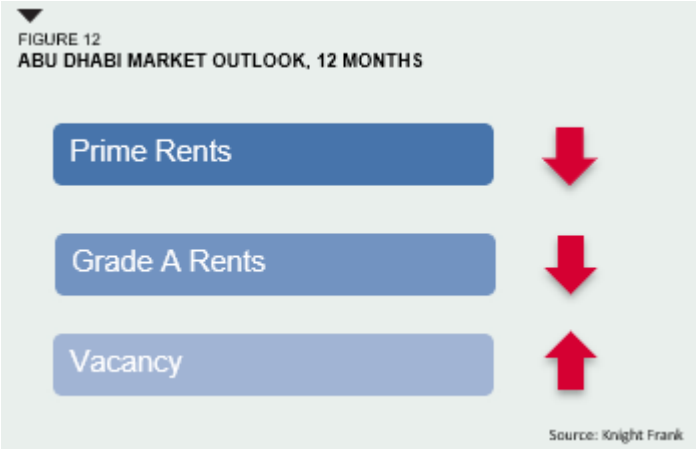
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Currently there are estimated to be 31 active office projects within Abu Dhabi, with delivery dates up to 2024 which are either being executed or in the study or design phase. The total value of these projects currently is estimated at USD 894m.



Activity in Abu Dhabi's occupier market is expected to remain subdued with new take-up likely to originate from government related entities or as a result of investment deals by the Abu Dhabi government where private sector entities will be required to have office space in the emirate. However, these requirements will likely be for limited amounts of office space. Where feasible for occupiers to do so, we continue to see a flight to quality as occupiers take advantage of weaker rents and high vacancy rates.

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Note: * The Property Monitor Index methodology is based on a basket of properties where the property value is estimated using a range of sources compared to the price changes for apartments and townhouses/villas which is based on DLD transfers (or asking prices for Dubai) which may result in the average price changes not tallying with one another. This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank Middle East Limited (Dubai Branch): Prime Star International Real Estate Brokers (PSIREB RERA ORN: 11964 trading as Knight Frank with registration number 653414. Our registered office is: 5th Floor, Building 2, Emaar Business Park, PO Box 487207, Dubai, UAE.