



ABU DHABI
OFFICE MARKET
UPDATE.

Q2 2020

Economic Update.

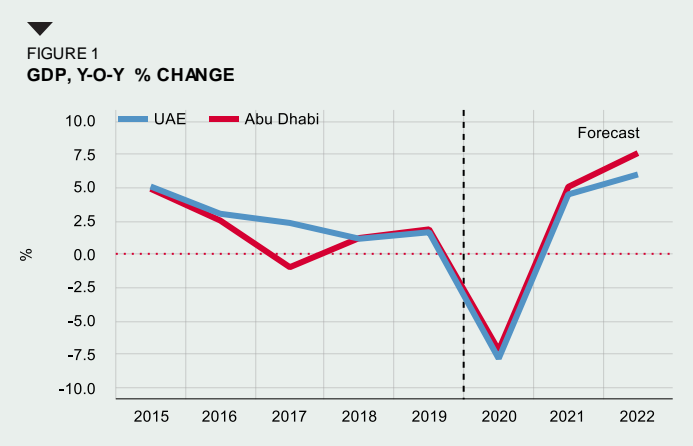
KEY HEADLINES

Initial estimates show that Abu Dhabi's GDP grew by 1.9% in 2019, up from 1.2% in 2018. Given the economic fallout caused by the COVID-19 pandemic, particularly to the capital's hydrocarbon sector, Abu Dhabi's GDP is expected to fall by 7.2% in 2020. Whilst economic growth is expected to return in 2021, where GDP is forecast to register a growth rate of 5.1%, Abu Dhabi's economy will only return to its 2019 GDP level by 2022.

The UAE's Purchasing Managers' Index (PMI), which tracks the country's private non-oil economy, fell to a historic low of 44.1 in April 2020 before increasing to 50.4 in June 2020, as lockdown measures were eased. Whilst for the first time in 2020 the latest reading shows growth in the UAE's non-oil private sector, the employment sub-index fell to 46.4 in June, down from 48.7 in May.

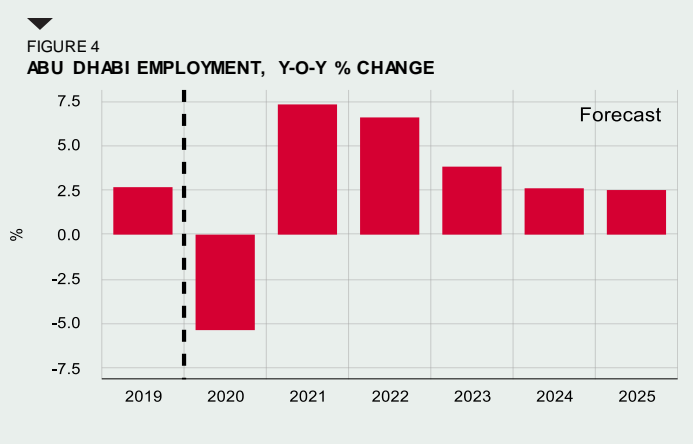
Employment in Abu Dhabi is estimated to have increased by 2.7% in 2019. As economic activity contracts so will employment, where in 2020 total employment is expected to decline by 5.4%. Despite the economic headwinds the capital faces, the Abu Dhabi government and its related entities are set to push ahead with approved projects, and even fast-track certain expenditures as part of the Ghadan 21 stimulus package. As a result, employment is expected to return to its 2019 level by 2021.

As at July 12th 2020, the EIBOR 6-month fix stood at 0.85%, down from 2.83% 12 months earlier.



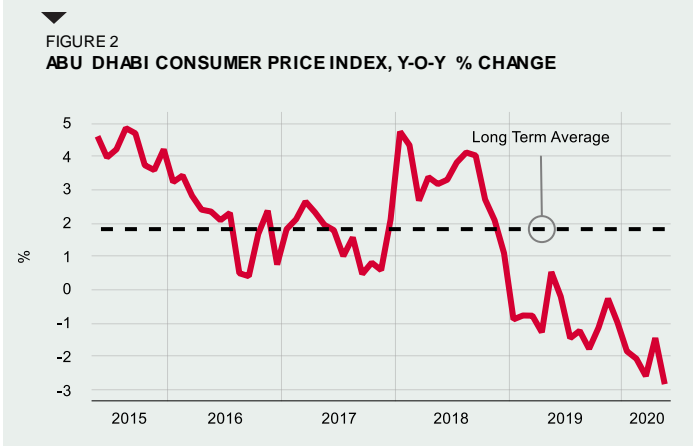
| | 2019 | 2020 | 2021 |
|-------------------------|------|------|------|
| Abu Dhabi GDP, % Change | 1.9 | -7.2 | 5.1 |

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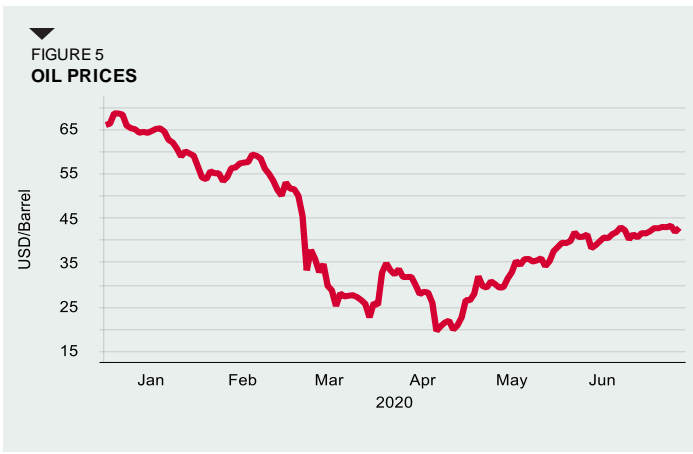
| | 2019 | 2020 | 2021 |
|--------------------------------|------|------|------|
| Abu Dhabi Employment, % Change | 2.7 | -5.4 | 7.3 |

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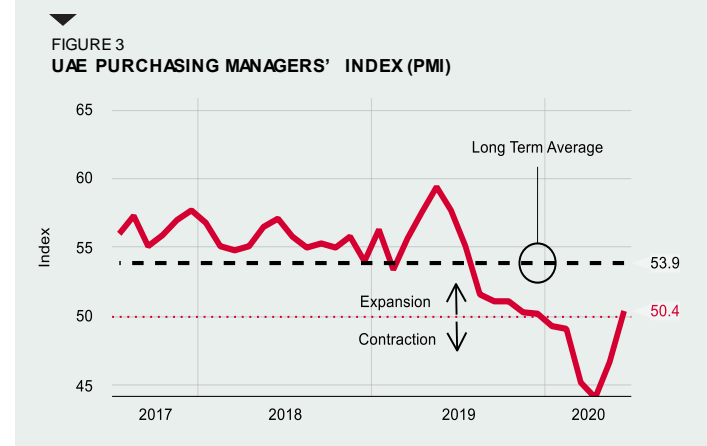
| | 1 Year ago | 6 months ago | Latest |
|-----------------------------|------------|--------------|--------|
| Abu Dhabi CPI, YOY % Change | -2.8 | -0.3 | 0.5 |

Abu Dhabi has witnessed deflation since the start of 2019, a trend which has only intensified since, with prices falling by 2.8% in the year to May 2020. This trend has been driven by lower housing and transport, and recreational activities costs. Over the same period, food and beverage costs, which carry a 12.3% weighting in Abu Dhabi's CPI basket, increased by 9.8%.



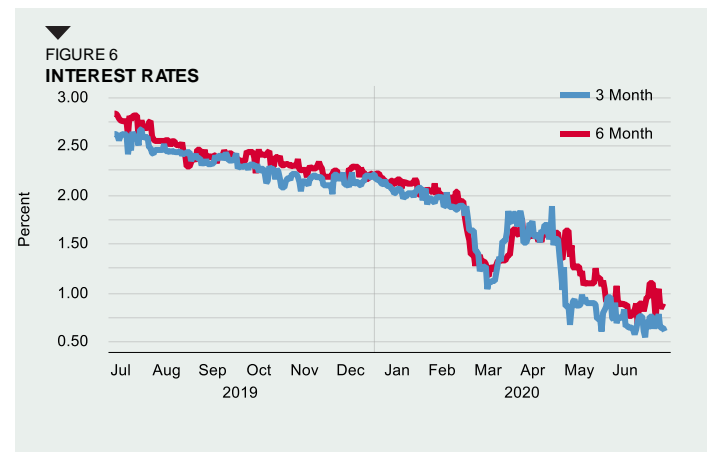
| | Latest | 3 months ago | 12 months ago |
|------------------------------|--------|--------------|---------------|
| Oil Prices– Brent Crude (\$) | 42.9 | 31.8 | 66.7 |

With global lockdown restrictions beginning to ease and oil demand gradually returning, the price of Brent Crude has risen from lows of \$20.0 pb in April 2020, to \$42.9 pb as at 10th June 2020. Whilst the OPEC+ agreement has been extended to July 2020, early indications show that supply cuts are likely to be moderated from August as demand picks up. The EIA expects Brent Crude to average \$41 pb in the second half of 2020 and \$50 pb in 2021.



| | 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 | 0.85 | 1.56 | 2.83 |

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 July 12th 2020, the EIBOR 6-month fix stood at 0.85% down from 2.83% 12 months earlier.

Abu Dhabi Office Market Update.

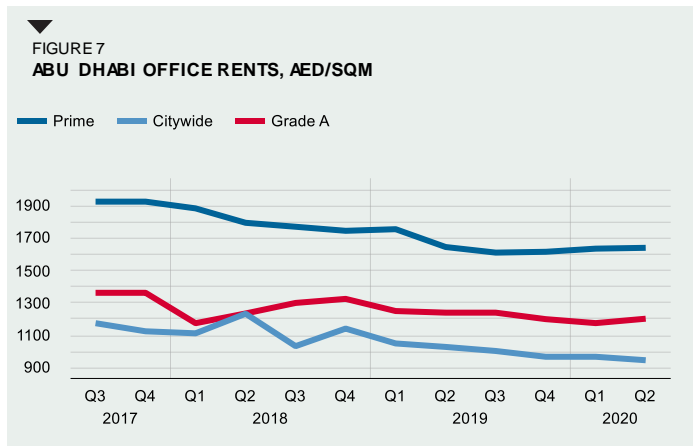
KEY HEADLINES

As at Q2 2020, average Prime rents across Abu Dhabi were recorded at AED 1,640/sqm, average Grade A rents at AED 1,203/sqm and average Citywide rents at AED 946/sqm.

On average, Citywide office rents across Abu Dhabi fell 8.0% in the year to Q2 2020, whilst Prime and Grade A rents fell by -0.3% and 3.0% respectively over the same period.

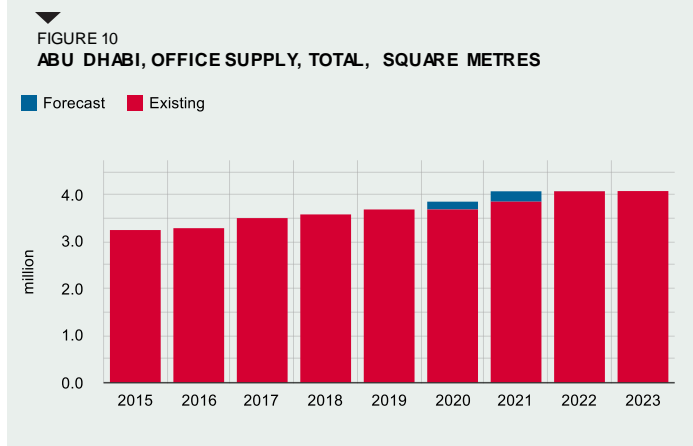
Market wide vacancy in Abu Dhabi's office market registered at 22.1% as at Q2 2020, down from 22.8% a quarter earlier. Over a 12 month period to Q2 2020, vacancy in Grade A and Citywide stock has increased by 4.8 and 4.3 percentage points respectively, whereas Prime vacancy has fallen by 10.3 percentage points over the same period.

Occupier activity in Abu Dhabi has remained relatively subdued since the onset of the COVID-19 pandemic, a trend which we expect to continue over the coming quarter. Where we have witnessed market activity it has been centred around consolidation of space or as a cost saving measure, or a combination of both. Whilst we have not seen much movement in headline rents, incentives to retain and attract tenants are abundant in the market.



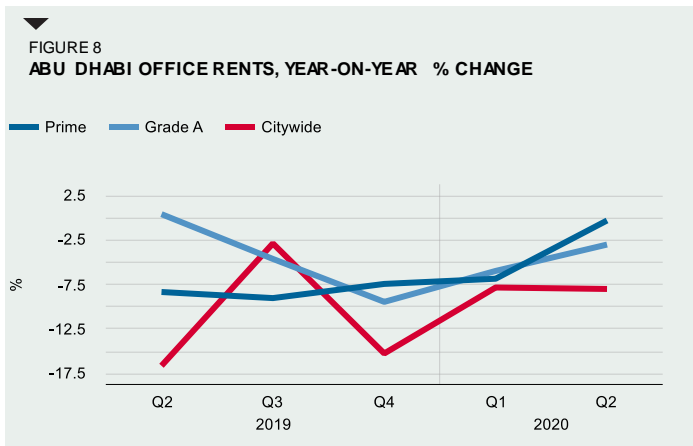
| (AED/sq. m./p.a.) | Prime | Grade A | Citywide |
|-------------------|-------|---------|----------|
| Q2 2020 | 1,640 | 1,203 | 946 |

As at Q2 2020 average Prime rents across Abu Dhabi were recorded at AED 1,640/sqm, average Grade A rents at AED 1,203/sqm and average Citywide rents at AED 946/sqm.



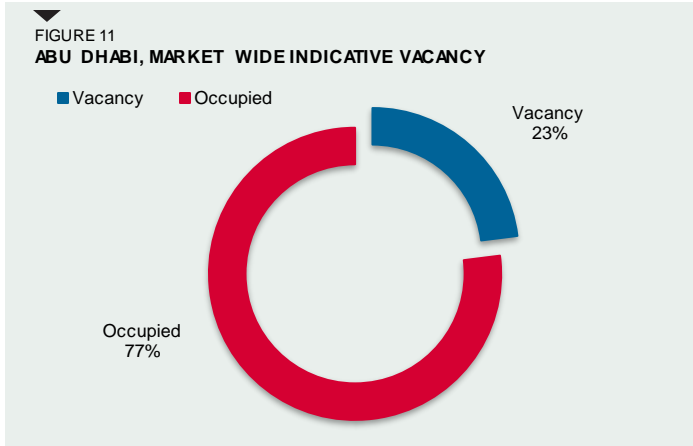
| | 2019 | 2020 | 2021 | 2022 |
|-------------------------------------|------|------|------|------|
| Total stock (Million square metres) | 3.69 | 3.86 | 4.07 | 4.08 |

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.

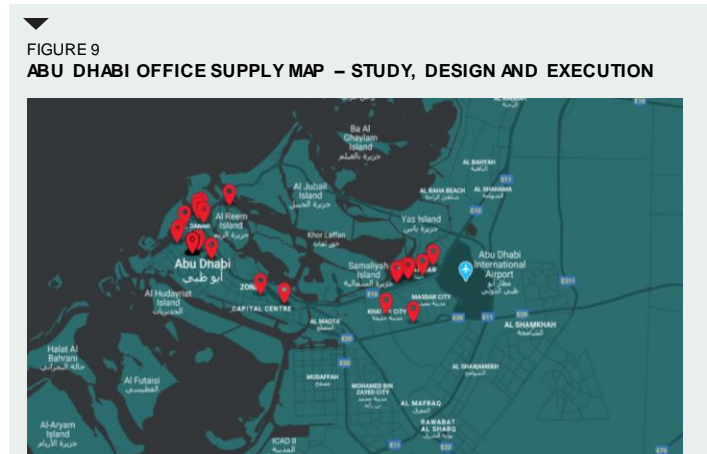


| | Prime | Grade A | Citywide |
|----------------|-------|---------|----------|
| Y-o-Y % Change | -0.3 | -3.0 | -8.0 |

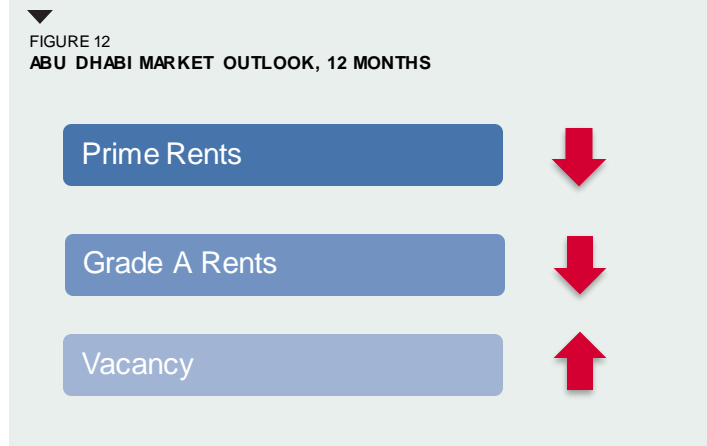
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Currently there are estimated to be 37 active office projects within Abu Dhabi, with delivery dates up to 2024 which are either being executed or in the study or design phase. The total value of these projects currently is estimated at US\$ 982m.



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Priscilla Goh. Commercial Agent – Occupier Services & Commercial Agency
+971 56 4202 313 | priscilla.goh@me.knightfrank.com

Taimur Khan. Associate Partner – Strategic Consultancy & Research
+971 56 4202 312 | taimur.khan@me.knightfrank.com



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