
Dubai Office Market Update

Q2 2019



KEY HEADLINES

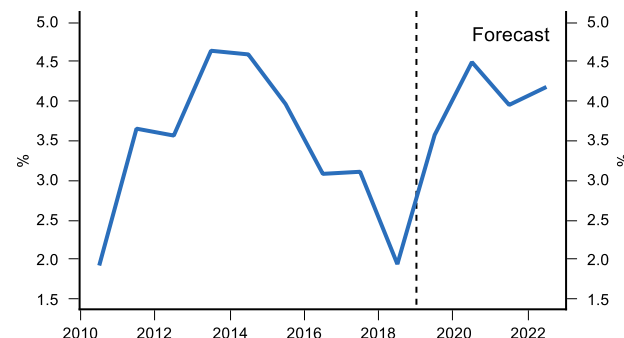
Dubai's GDP grew by 1.9% in 2018, down from 3.1% a year earlier, according to data from Dubai Statistics Centre, the slowest rate of growth witnessed since 2010. A slowdown in the annual percentage growth rate in 12 out of the 19 broad economic sectors in Dubai has contributed to the overall rate of growth slowing. The only two sectors which have recorded negative annual growth rates are the manufacturing and mining and quarrying sectors, these sectors account for 9.2% and 1.6% of Dubai's total GDP respectively. On a more positive note, three out of the five largest sectors have seen their annual rate of growth increase in 2018 compared to the year prior. The Dubai Economy Tracker, which tracks Dubai's economy on a monthly basis, rose to 58.5 in May, the highest reading since January 2015, on the back of strong output and new orders. However, only 2% of panellistshired workers over this time period.

As a result, occupier market activity has remained relatively subdued over the course of the second quarter of 2019.

Rents across Dubai continued to soften over the second quarter of 2019 with rents falling on average by 6.4%. Prime rents fell fastest due to the increased availability of stock in this segment of the market.

Given the relatively subdued levels of occupier activity to date and the delivery of additional supply, Dubai's office rents are likely to continue to soften over the course of 2019.

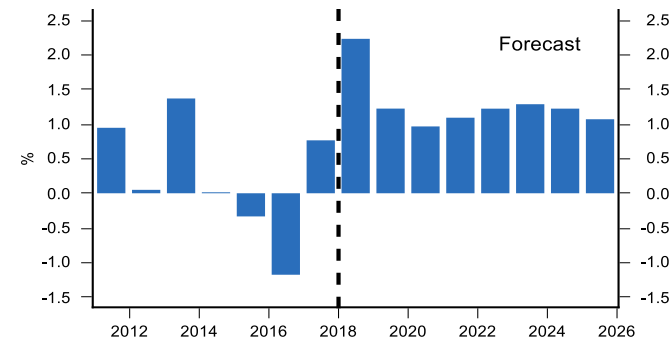
FIGURE 1
DUBAI GDP, Y-O-Y % CHANGE



	2018	2019	2020
Dubai GDP, % Change	1.9	3.6	4.5

Dubai's GDP grew by 1.9% in 2018, down from 3.1% a year earlier. Dubai's GDP growth in 2019 is expected to strengthen to 3.6% and to 4.2% in 2020.

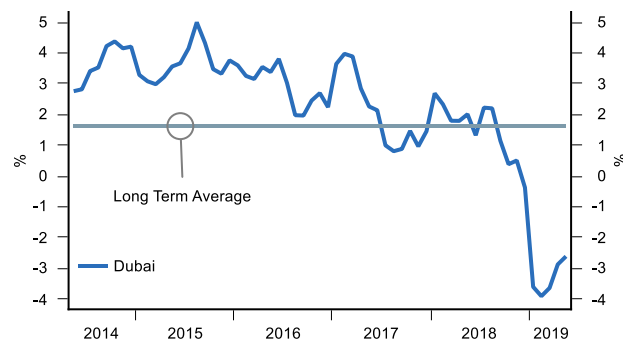
FIGURE 2
DUBAI EMPLOYMENT, Y-O-Y % CHANGE



	2018	2019	2020
Dubai Employment, % Change	2.2	1.2	1.0

Employment growth is expected to register a growth rate of 1.2% in 2019, down from 2.2% in 2018, however the rate of growth is expected to fall in 2020 to 1.0%.

FIGURE 3
DUBAI CONSUMER PRICE INDEX, Y-O-Y % CHANGE



	1 Year ago	6 months ago	Latest
Dubai CPI, YOY % Change	2.0	0.5	-2.6

Dubai continues to witness deflation with prices decreasing by 2.6% in the year to May. This has primarily been driven by lower clothing and footwear (-6.8%) and housing (-6.3%) costs. However, the rate of decline is slowly moderating, in recent months the costs of transport, communications and recreational and cultural activities have begun increasing.

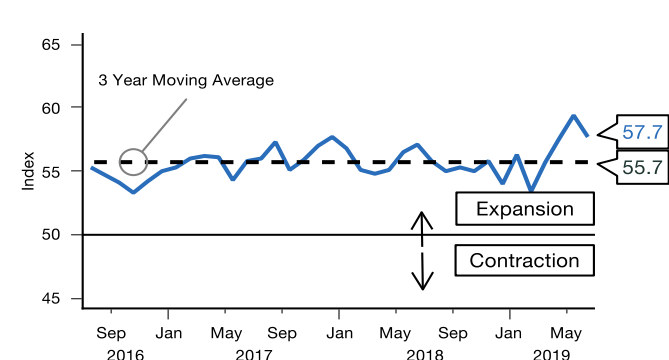
FIGURE 4
OIL PRICES



	End of month price	Latest	3 months ago	12 months ago
Oil Prices - Brent Crude (\$)		64.4	67.6	79.2

Oil prices have fallen to \$64.4 as at June 2019, down from \$79.2 a year earlier. Trade wars and slower economic growth have contributed to the lower price level. However, given recent geopolitical tensions we may see oil prices increase on the back of greater uncertainty and this trend will be further aided by the continuation of oil production cuts agreed by OPEC and OPEC+ nations.

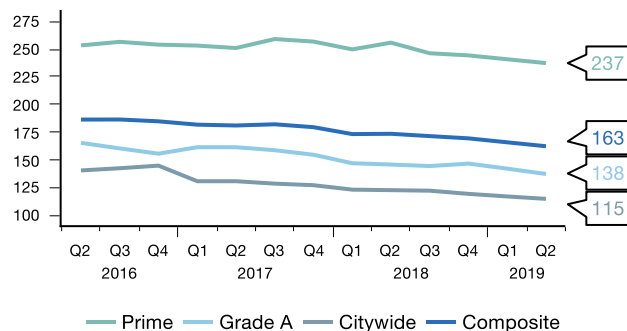
FIGURE 5
UAE PURCHASING MANAGERS' INDEX (PMI)



	Latest	3 months ago	12 months ago
Composite PMI	57.7	55.7	57.1

The Purchasing Manager's Index (PMI), which tracks non-oil activity in the UAE, registered a reading of 57.7 as at June 2019, down from the almost five year high of 59.4 posted last month. Output and new work continue to underpin the strong result of the index, however this is amidst lower selling prices, whilst input prices have remained relatively steadfast. As a result, firms are still under cost pressures and increased activity has not led to growth in employment, in June none of the firms surveyed reported hiring.

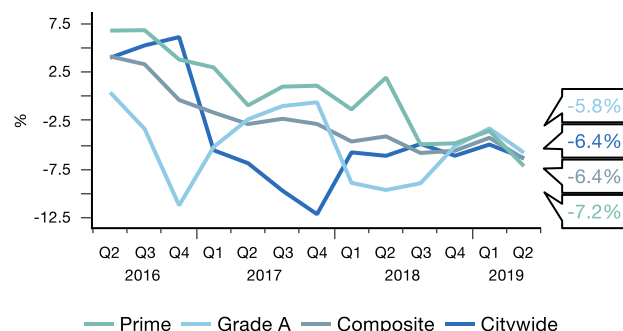
FIGURE 6
DUBAI OFFICE RENTS, AED/SQ.FT.



(AED/sq. ft./p.a.)	Prime	Grade A	Citywide
Q2 2019	237	138	115

Rents across Dubai continued to soften over the second quarter of 2019 with rents falling on average by 6.4%. Prime rents fell fastest due to the increased availability of stock in this segment of the market.

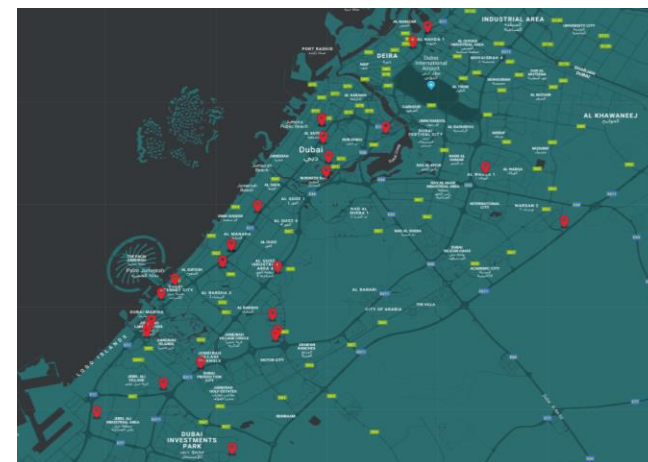
FIGURE 7
DUBAI OFFICE RENTS, YEAR-ON-YEAR % CHANGE



Year-on-Year % Change	Prime	Grade A	Citywide	Composite
Q2 2019	7.2	5.8	6.4	6.4

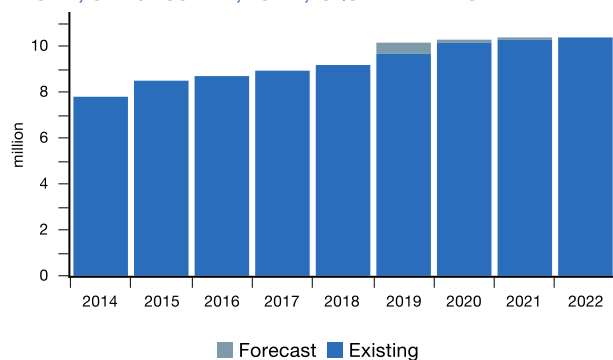
Prime rents in Dubai fell by 7.2% in the year to Q2 2019, Grade A rents fell by 5.8% and Citywide rents fell by 6.4%.

FIGURE 8
DUBAI OFFICE SUPPLY MAP – STUDY, DESIGN AND EXECUTION



Currently there are estimated to be 38 active projects within Dubai, with delivery dates up to 2024, which are either being executed or in the study or design phase. The budget value of these projects currently is estimated at US\$ 7.29bn, excluding Expo 2020 projects.

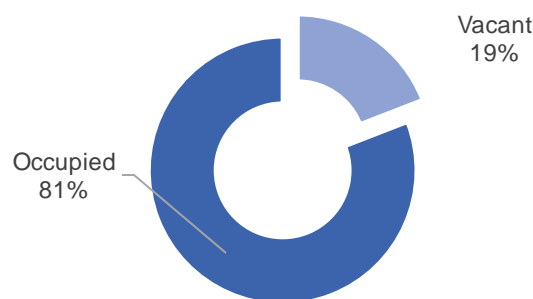
FIGURE 9
DUBAI, OFFICE SUPPLY, TOTAL, SQUARE METRES



	2018	2019	2020	2021
Total stock (Million square metres)	9.18	10.16	10.29	10.38

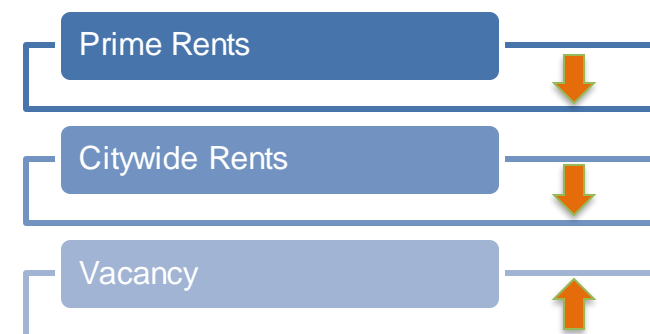
Dubai currently has stock of around 9.18 million square metres of commercial space. By 2021 total supply of commercial property is expected to be around 10.38 million square metres. Grade A and Citywide stock accounts for over 90% of this supply pipeline.

FIGURE 10
DUBAI, MARKET WIDE INDICATIVE VACANCY



Market wide vacancy in Dubai is registered at 19% as at Q2 2019. Vacancy in Prime and well located Grade A buildings remains relatively low whereas secondary Grade A and Citywide vacancy is significantly higher than the market average.

FIGURE 11
DUBAI MARKET OUTLOOK, 12 MONTHS



Given the relatively subdued levels of occupier activity to date and the delivery of additional supply, Dubai's office rents are likely to continue to soften over the course of 2019. We may begin to see occupier activity begin to return, albeit gradually, now that firms have greater clarity around 100% foreign ownership laws.