
**DUBAI
OFFICE MARKET
UPDATE.**

Q2 2020

Economic Update.

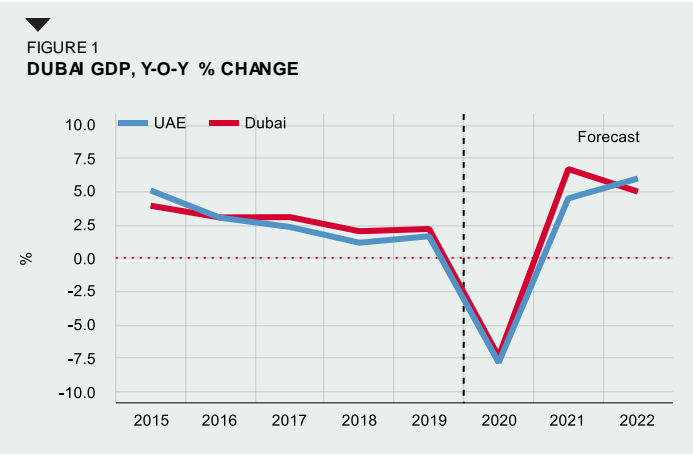
KEY HEADLINES

Data from the Dubai Statistics Centre shows that Dubai's GDP grew by 2.2% in 2019, up from 2.1% in 2018. As a result of the COVID-19 pandemic and its impacts on global economic activity, Dubai's GDP is expected to contract by 7.4% in 2020. According to forecasts from Oxford Economics, Dubai's GDP is not expected to return to its 2019 level before 2022.

The UAE's Purchasing Managers' Index (PMI), which tracks the country's private non-oil economy and is a timelier economic indicator, has shown that GDP growth is likely to contract further in Q2 2020. The index, where a reading below 50 indicates a contraction in economic activity, 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. The Dubai PMI stabilised at 50.0 in June 2020, up from 46.0 in May 2020.

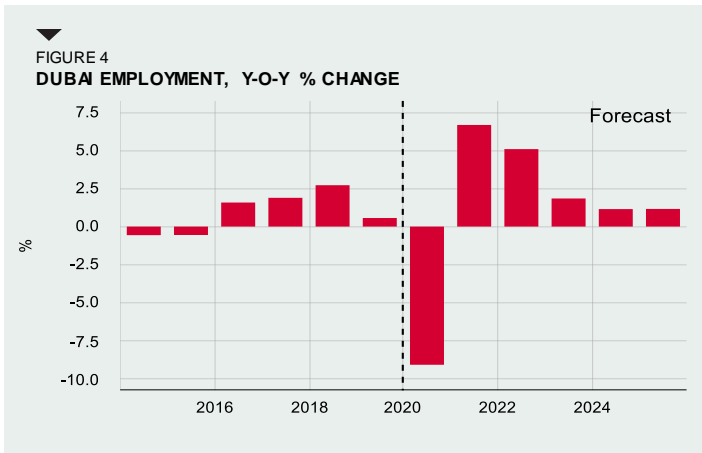
Employment in Dubai grew marginally by 0.6% in 2020 according to data from Oxford Economics. Given the challenging economic backdrop, employment is set to contract by 9.1% in 2020. If Dubai's economy recovers as expected, employment is set to register growth rates of 6.7% and 5.1% in 2021 and 2022 respectively, with employment returning to its pre-COVID level by 2022.

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



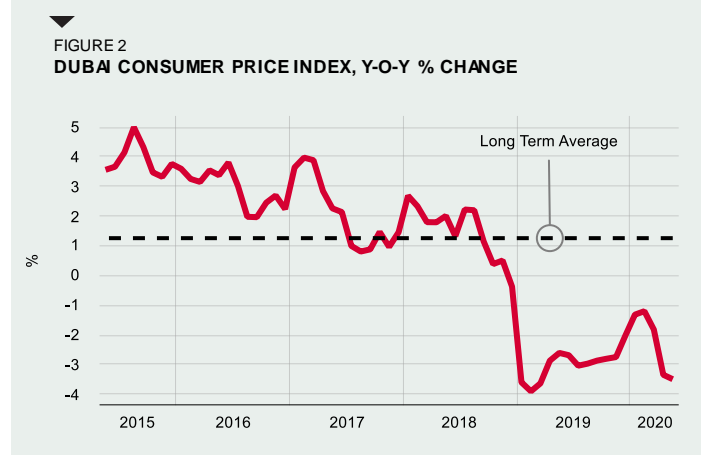
	2019	2020	2021
Dubai GDP, % Change	2.2	-7.4	6.7

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	2019	2020	2021
Dubai Employment, % Change	0.6	-9.1	6.7

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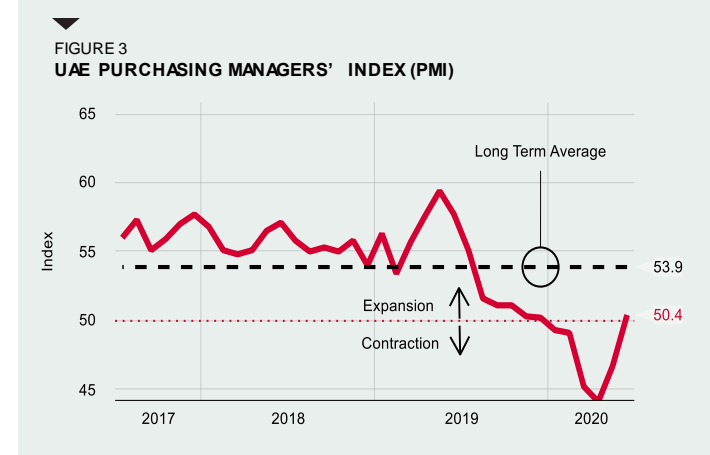
	1 Year ago	6 months ago	Latest
Dubai CPI, YOY % Change	-2.6	-2.8	-3.5

Dubai has witnessed deflation since the start of 2019, a trend which has not reversed since, with prices falling by 3.5% in the year to May 2020. Over this period, this trend has been driven by lower housing, recreational activities and clothing and footwear costs. In the year to May 2020, food and beverage and transportation, which account 23.7% of Dubai's CPI basket saw inflation and deflation rates of 5.4% and 12.4% respectively.



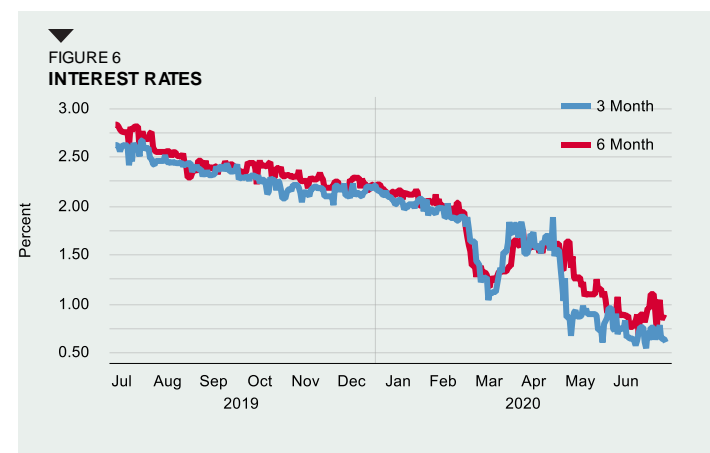
	Latest	3 months ago	12 months ago
Oil Prices - Brent Crude (\$)	42.9	31.8	66.7

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	50.4	45.2	57.7

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. The Dubai PMI stabilised at 50.0 in June 2020, up from 46.0 in May 2020.



	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.

Dubai Office Market Update.

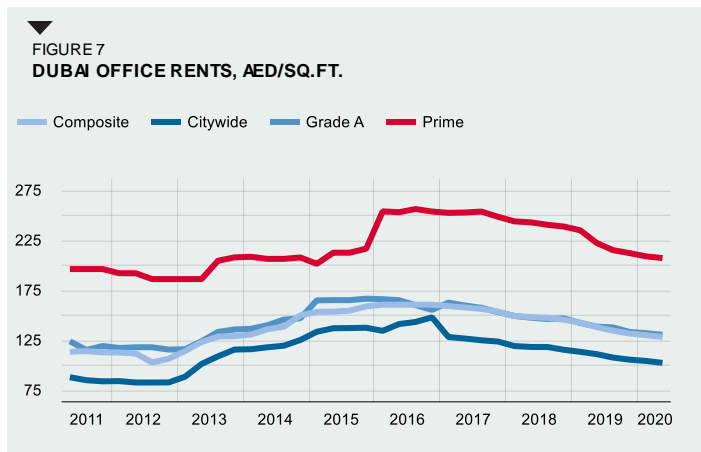
KEY HEADLINES

As at Q2 2020, average Prime rents across Dubai were recorded at AED 208/sq.ft., average Grade A rents at AED 131/sq.ft. and average citywide rents at AED 103/sq.ft.

In the year to Q2 2020, average rents in Dubai fell by 7.0%. Prime office rents across Dubai fell 6.8% in the year to Q2 2020, whilst Grade A and Citywide rents fell by 5.9% and 7.8% respectively over the same period.

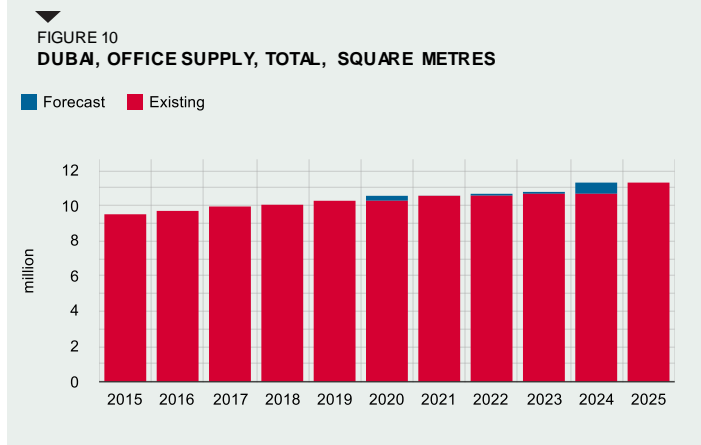
Market wide vacancy in Dubai's office market registered at 18.7% as at Q2 2020, down marginally from 18.8% in Q4 2019. Whilst currently vacancy in most Prime projects remains relatively low, over the course of the year as additional supply is delivered we are likely to witness the Prime vacancy rate increase.

Over the latter stages of the last quarter, whilst the level of occupier requirements has increased, the vast majority of activity is centred around consolidation of space or as a cost saving measure, or a combination of both. Occupiers are also increasingly requesting rent reviews, with many landlords willing to accommodate just cases given the current market backdrop.



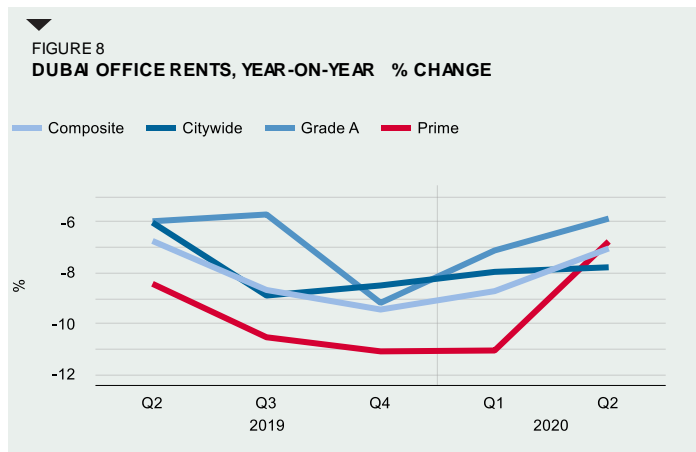
(AED/sq. ft./p.a.)	Prime	Grade A	Citywide
Q2 2020	208	131	103

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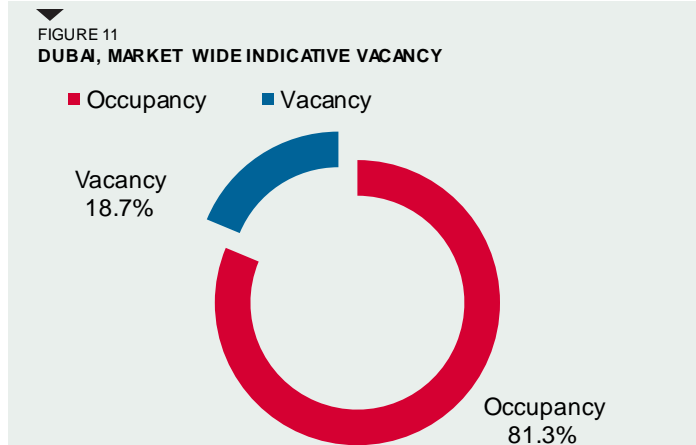
	2019	2020	2021	2022
Total stock (Million square metres)	10.28	10.56	10.57	10.67

Dubai currently has stock of around 10.28 million square metres of commercial office space. By 2022 total supply of commercial offices pace is expected to be around 10.67 million square metres.



	Prime	Grade A	Citywide	Composite
Y-o-Y % Change	-6.8	-5.9	-7.8	-7.0

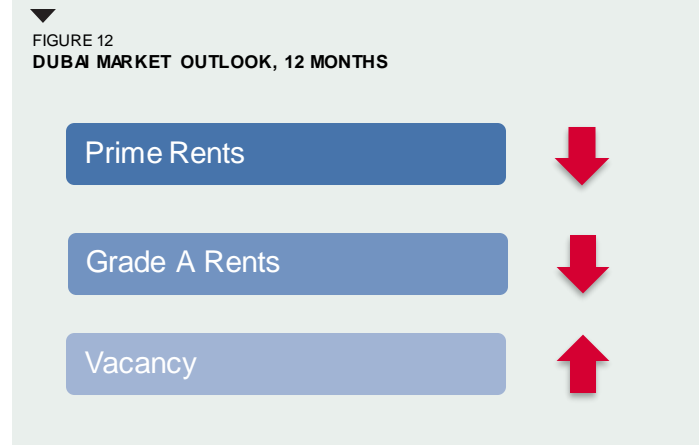
In the year to Q2 2020, average rents in Dubai fell by 7.0%. Prime office rents across Dubai fell 6.8% in the year to Q2 2020, whilst Grade A and Citywide rents fell by 5.9% and 7.8% respectively over the same period.



Market wide vacancy in Dubai's office market registered at 18.7% as at Q2 2020, down marginally from 18.8% in Q4 2019. Whilst currently, vacancy in most Prime projects remains relatively low, over the course of the year as additional supply is delivered we are likely to witness the Prime vacancy rate increase.



Currently there are estimated to be 29 active projects within Dubai, 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\$ 4.85bn.



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