

A low-angle, upward-looking photograph of a modern skyscraper's facade, showing a series of repeating horizontal and vertical lines that create a strong sense of depth and geometric pattern. The sky is visible at the top, and the building's glass and metal surfaces reflect light.

H1 2013 ABU DHABI OFFICES

Market update

HIGHLIGHTS

- With continued government diversification and investment within the economy (infrastructure, education and energy), we have witnessed increased activity in the occupier market.
- Rents for Prime and Grade A accommodation remain unchanged from H2 2012.
- Corporate occupiers are reviewing where employees live, prior to relocating their offices as staff move to new residential locations.
- As new schemes become established and fully occupied with convenience retail and amenities we expect to see the flight to quality increase more rapidly.

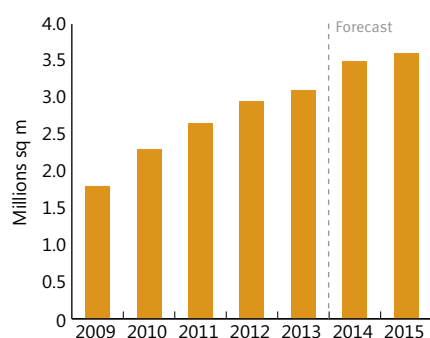
H1 2013 ABU DHABI OFFICES

Market update

Market comment

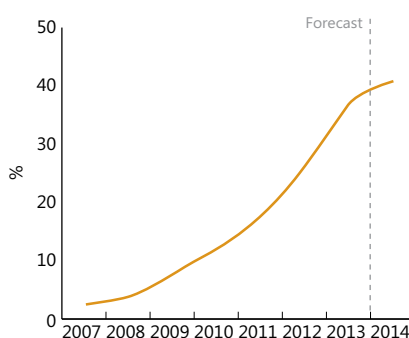
- Delays in the handover of new developments will affect overall supply of Grade A offices to the market.
- Delivery of new supply will be located within master planned developments, which will offer greater variety to occupiers looking to upgrade their accommodation.
- With continued government diversification and investment within the economy (infrastructure, education and energy), we have witnessed increased activity in the occupier market.
- Continued take up by government and quasi – government departments has helped absorb large quantities of accommodation.
- The market has not witnessed any major increase in demand from international occupiers starting operations in Abu Dhabi.
- The required average take up by corporate occupiers remains unchanged at 150-500 sq m. However the market has witnessed multiple larger transactions (over c. 3,000 sq m) in H1 2013.
- New mixed use schemes continue to be delivered to the market including Al Bustan Complex and Al Bahr Tower.

Figure 1
Abu Dhabi office stock (2009-2015)



Source: Knight Frank

Figure 2
Total vacancy rates



Source: Knight Frank



MARKET VIEW

- Rents for Prime and Grade A accommodation remain unchanged from H2 2012.
- Poorer quality buildings remain the most affected with landlords reducing rents further or providing greater incentives to retain and attract new tenants.
- As new schemes become established and fully occupied with convenience retail and amenities we expect to see the flight to quality increase more rapidly.
- Corporate occupiers are reviewing where employees live prior to relocating their offices as staff move to new residential locations.

Figure 3
Key market indicators
To CAT A fit out

	Headline rents	Trending
Prime	AED 1,800	►
Grade A	AED 1,300	▼
Grade B	AED 950	▼
Availability/vacancy	37%	▲
Average rent free inducement	12%	►

Source: Knight Frank

Figure 4
Current demand by occupier in H1 2013

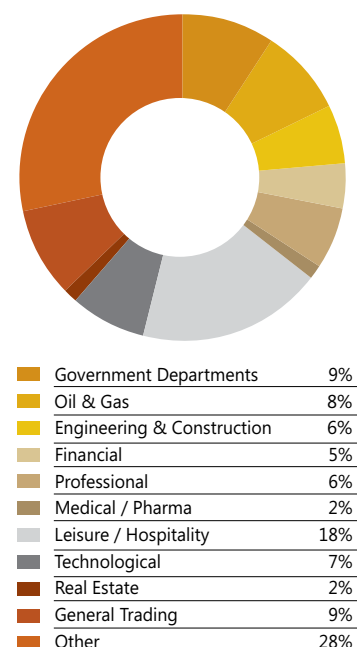
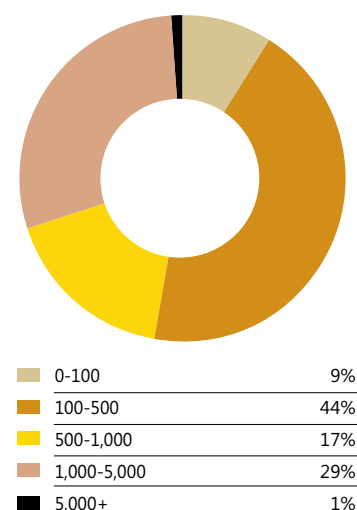


Figure 5
Size requirement (sq m) in H1 2013

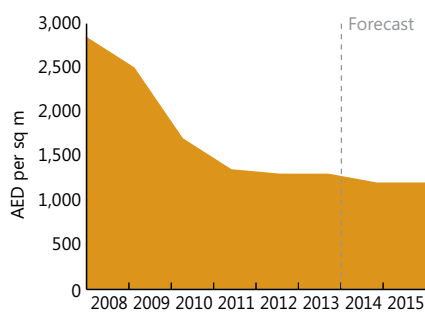


Source: Knight Frank



Figure 6

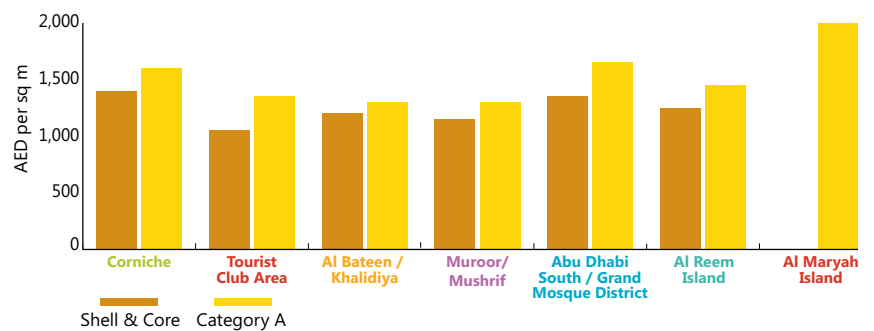
Average rents (per sq m) for shell & core offices in Abu Dhabi



Source: Knight Frank

Figure 7

Indicative headline office rents by district (per sq m)



Source: Knight Frank Note: Category 'A' as defined by the BCO Guide to Specification 2009

MARKET NEWS

- Aldar and Sorouh have announced their formal merger in June which will create one of the largest real estate companies in the GCC.
- Abu Dhabi Education Council have signed two floors at International Tower (c.3,400 sq m)
- Arabtec have absorbed the forthcoming tower at World Trade Centre (c.72,000 sq m)
- Al Hilal Bank have broken ground on their Al Maryah Island site which is c.36,000 sq m and expected to complete in Q1 2014.

AL MARYAH MARKET INSIGHT

- Abu Dhabi's newly announced Free Zone will be known as Global Market Place Abu Dhabi and is expected to follow the DIFC court system and regulations.
- The Global Marketplace Abu Dhabi will be established with tax-free status for 50 years and full foreign ownership of companies.
- Sowwah Square is already home to several international and local businesses and is expected to attract further clients in the banking, Islamic finance, asset management, trading and storage of commodities.
- The Global Marketplace Abu Dhabi will provide a suitable alternative to other GGC financial centres for companies wishing to have a presence in the region and located between Eastern and Western markets.

Americas

USA
Bermuda
Brazil
Canada
Caribbean
Chile

Australasia

Australia
New Zealand

Europe

UK
Belgium
Czech Republic
France
Germany
Hungary
Ireland
Italy
Monaco
Poland
Portugal
Romania
Russia
Spain
The Netherlands
Ukraine

Africa

Botswana
Kenya
Malawi
Nigeria
South Africa
Tanzania
Uganda
Zambia
Zimbabwe

Asia

Cambodia
China
Hong Kong
India
Indonesia
Macau
Malaysia
Singapore
Thailand
Vietnam

The Gulf

Abu Dhabi, UAE
Bahrain
Dubai, UAE
Qatar

Abu Dhabi Office

P.O. Box 3520
Plot C210
East 4/2
Al Muroor Street
Abu Dhabi
United Arab Emirates
T: +971 2 6594 994

Leasing – Abu Dhabi

Matthew Dadd

Associate
D: +971 2 6353 286
M: +971 56 6146 087
matthew.dadd@me.knightfrank.com

Ali Mohamed Ali

Assistant Leasing Manager
D: +971 2 6350 976
M: +971 50 3181 251
ali.mohamed@me.knightfrank.com

Dubai Office

P.O. Box 127999
Unit 611, 6th Floor
Building No. 4
Emaar Business Park
Dubai
United Arab Emirates
T: +971 4 4512 000

Leasing – Dubai

Jon McGloin

Senior Surveyor
D: +971 4 4512 000
M: +971 50 8158 370
jon.mcgloin@me.knightfrank.com

Valuation & Professional Services

Stephen Flanagan

Director of Professional Services
D: +971 2 6588 685
M: +971 50 8133 402
stephen.flanagan@me.knightfrank.com

Technical Note

- Floorspace has been sub-divided into Prime, A & B grade accommodation, reflecting high and low quality respectively. Whilst subjective, this categorisation is based on an assessment of each property's age, car parking ratio, specification, quality of finish, location, situation and overall attractiveness.
- Category A works comprise services, lift safety elements and basic fittings and finishes for the operation of lettable work space, including but not limited to suspended ceilings; raised floors and skirting; cooling and heating services.
- A Tenant Inducement % is the proportion of rent free period over the term certain.
- The U.A.E Dirham is pegged to the US Dollar at a rate of USD 1 : AED 3.673.

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs.

Knight Frank Research Reports are also available at [KnightFrank.com/Research](https://www.knightfrank.com/Research)

© Knight Frank LLP 2013

This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no legal responsibility can be accepted by Knight Frank Research or Knight Frank LLP for any loss or damage resultant from 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 allowed with proper reference to Knight Frank Global Research.

Knight Frank UAE Limited – Abu Dhabi, is a foreign branch with registration number 1189910
Our registered office is: Plot C210, East 4/2, Al Muroor Street, Abu Dhabi, UAE, PO Box 3520