

RESEARCH



# ABU DHABI OFFICE RESEARCH REPORT

SUMMER 2014

GOVERNMENT, OIL & GAS AND FINANCIAL FIRMS RESPONSIBLE FOR MORE THAN HALF OF  
TOTAL TAKE-UP IN H1 2014

# A TURNING POINT FOR ABU DHABI'S OFFICE SECTOR?

Healthy take-up of prime office space in H1 2014 triggers a fall in the vacancy rate

## MARKET COMMENT

While prime office rents in Abu Dhabi remained stable in H1 2014, rental values for Grade A shell and core office space declined by 3% half-on-half to AED 1,150/m<sup>2</sup>/annum. This outturn was surprising given that Abu Dhabi's market-wide vacancy rate fell sharply from 35% in H2 2013 to 30% in the subsequent six months. However, it is worth noting that the fall in the overall vacancy rate was underpinned by significant

uptake in the prime segment, with approximately 100,000m<sup>2</sup> of office space absorbed across the developments that we track between H2 2013 and H1 2014.

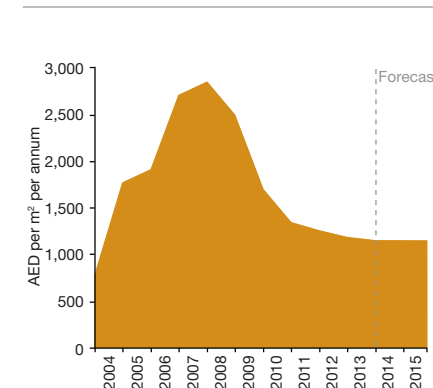
Office uptake in the first six months of this year was primarily driven by financial and oil & gas firms, as well as government & government-related entities. In fact, the former two sectors were responsible for around 32% of total take-up in the first half of 2014. The public administration sector is an important contributor to Abu Dhabi's non-oil economy and accounted for another 19% of absorption in H1 2014. Over the same period, real estate (11%), general trading (9%) and leisure & hospitality (9%) firms also expressed healthy interest, while

FIGURE 3  
Key market indicators

	Headline rents	Trending
Prime Rents	AED 1,650/m <sup>2</sup> /annum	↔
Grade A	AED 1,150/m <sup>2</sup> /annum	↔
Grade B	AED 950/m <sup>2</sup> /annum	↓
Availability	30%	↓
Average inducement	12%	↑

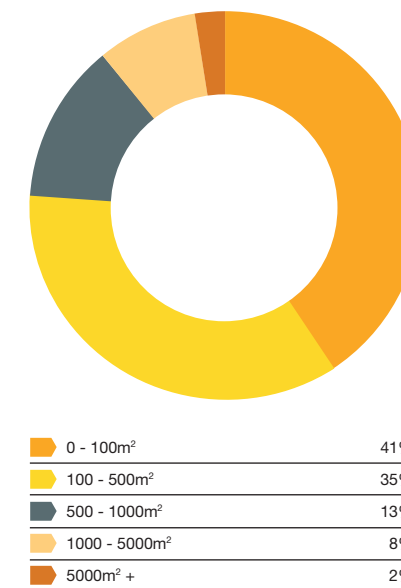
Source: Knight Frank

FIGURE 4  
Grade A shell & core office rents



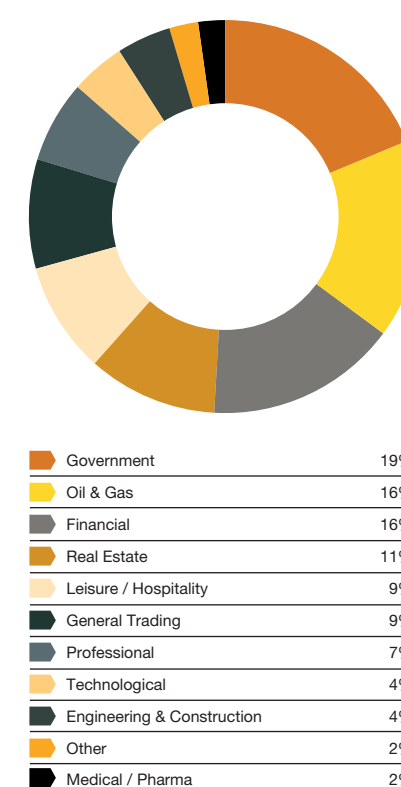
Source: Knight Frank

FIGURE 5  
Size requirement, H1 2014



Source: Knight Frank

FIGURE 6  
Take-up by sector, H1 2014



Source: Knight Frank

technology, medical, professional services, construction & engineering and "other" accounted for the remaining 20% of total enquiries.

## Lack of office availability in the 100-250m<sup>2</sup> category hampers activity

Around 41% of all recorded enquiries in the first half of 2014 were for offices with a net leasable area of less than 100m<sup>2</sup>, while another 35% were for units sized between 100m<sup>2</sup> and 500m<sup>2</sup>. However, the lack of availability of Category A offices in the 100-250m<sup>2</sup> bracket meant that activity in the latter category was lower than it would have been otherwise. The remainder of demand (24%) was for space sized 500m<sup>2</sup> or above.

Not only was the quantum of newly completed space in the first half of 2014 limited, it was also quickly absorbed by government departments or owner-occupiers. For example, the NBAD Building at Capital Centre is owner-occupied and the Siemens Building at Masdar City was 100% pre-let. Elsewhere,

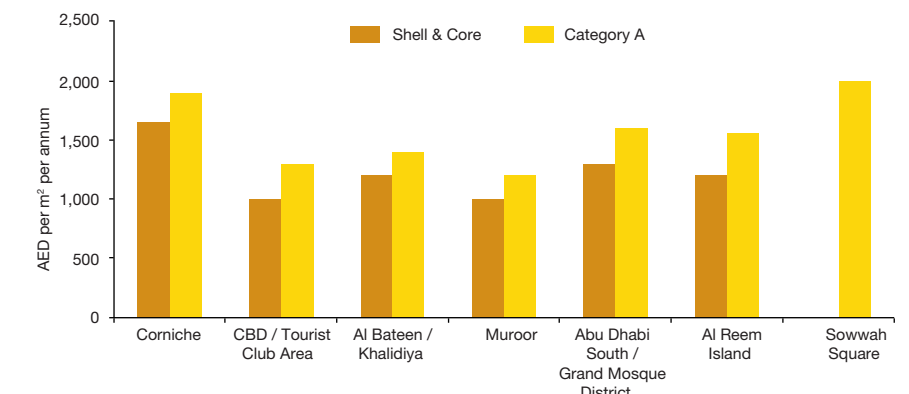
the recently completed Al Badie Tower is currently in the process of being leased up. Moreover Al Hilal Building – currently under construction and due to be completed in the second half of 2014 – will be the first commercial office building to be handed over on Al Maryiah Island since Sowwah Square. According to reports, it has been fully pre-let.

## Masdar market insight

In Masdar City, the Siemens building is fully leased, while the Courtyard building has reached an occupancy level of 99%. Moreover, around 25% of the newly completed HQ building has been pre-let to the International Renewable Energy Agency (IRENA) and the remaining space is attracting strong interest from large institutions.

With occupiers continuing to favour new master-planned communities, demand for office accommodation at Masdar remains strong. This isn't surprising given that it benefits from access to residential developments and local amenities, as well as good connectivity to Dubai and Abu Dhabi International airports.

FIGURE 7  
Indicative headline office rents by district

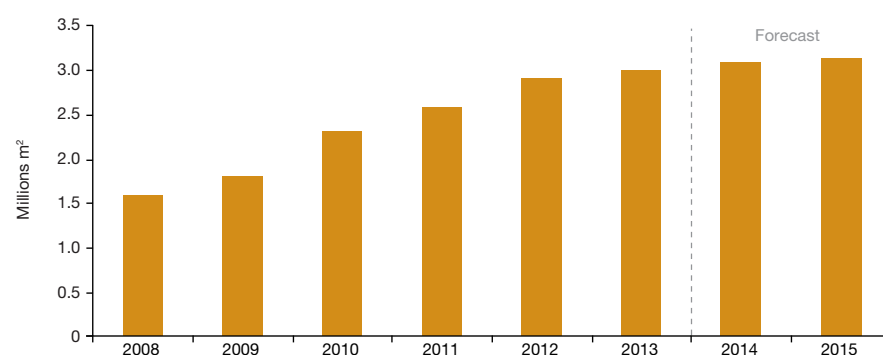


Source: Knight Frank

## MARKET NEWS

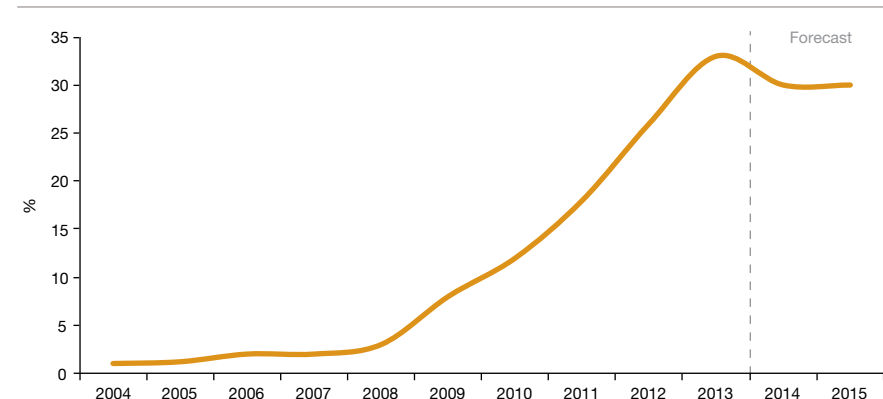
- Complications around the creation of a financial free zone to attract greater numbers of firms to Sowwah Square has left international occupiers waiting to access new stock in limbo.
- Mubadala have released an additional three full floors in Al Maqaam Tower, which should help alleviate pent up demand.
- The Capital Centre is starting to gain traction, with many of the commercial buildings now available to lease. Moreover, we expect occupancy rates to improve significantly in H2 2014, from 50% currently.

FIGURE 1  
Abu Dhabi office stock, 2008 - 2015



Source: Knight Frank

FIGURE 2  
Vacancy rate, 2004 - 2015



Source: Knight Frank





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