

RESEARCH



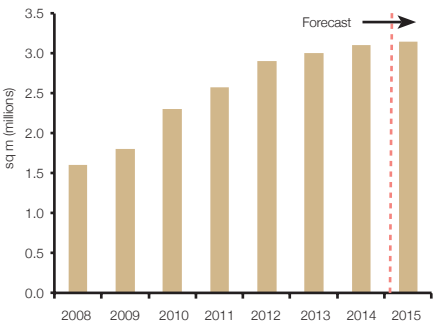
ABU DHABI OFFICE RESEARCH REPORT

H1 2015

ABU DHABI OFFICE MARKET REMAINS SUBDUED DUE TO WEAKER GOVERNMENT AND ENERGY SECTOR DEMAND.

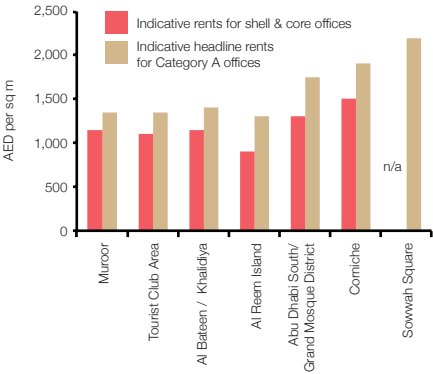
MARKET REVIEW

FIGURE 1
Abu Dhabi Office Stock, 2008 - 2015



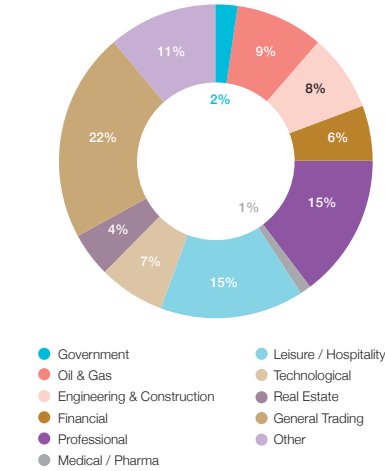
Source: Knight Frank Research

FIGURE 2
Indicative headline office rents by district, H1 2015



Source: Knight Frank Research

FIGURE 3
Demand by sector, H1 2015



Source: Knight Frank Research

- Preliminary data from the UAE National Bureau for Statistics shows that the federation’s GDP grew by 4.6% in 2014 – slightly faster than 2013’s 4.3% expansion
- Despite lower oil prices in H1 2015, construction work continued across the education, healthcare, and infrastructure sectors. This underpinned demand for offices in the emirate over the same period.
- According to Moody’s, the government is likely to incur a budget deficit equivalent to 1.1% of GDP in 2015. With revenues under pressure, this may have implications on the speed of Abu Dhabi’s diversification and in turn the rate of absorption of available office space.

Diversification

- The UAE continues to cement its position as a regional financial centre and a hub for trade, transport and tourism. Admittedly Dubai continues to take the lead in these areas, however Abu Dhabi is making strides as part of its 2030 vision.
- In this regard, the latter has seen further spending to improve its infrastructure, which in the medium to long-term should make it a more attractive destination for private investment. In turn, this is likely to have positive implications for office demand in Abu Dhabi.
- The number of enquiries from the engineering and construction sector increased in H1 2015 – reflecting growing demand stemming from rising infrastructure construction activity. The average size requirement for this sector remained steady at around 600 sq m. This is larger than most other sectors and is being driven by international companies’ requirements for office space.
- Combined, the leisure/hospitality and professional sectors accounted for 30% of total demand in the first six months of this year.
- Headline office rents saw little change in H1 2015. Over the next twelve months, rents are likely to see upward pressure as little prime or grade A new office supply is due to be delivered to market.
- Prime office rents edged up in Abu Dhabi in the first six months of this year to AED 1,900 per sq m. Meanwhile, rental values for Grade A shell and core office space remained steady at AED 1,400 per sq m.



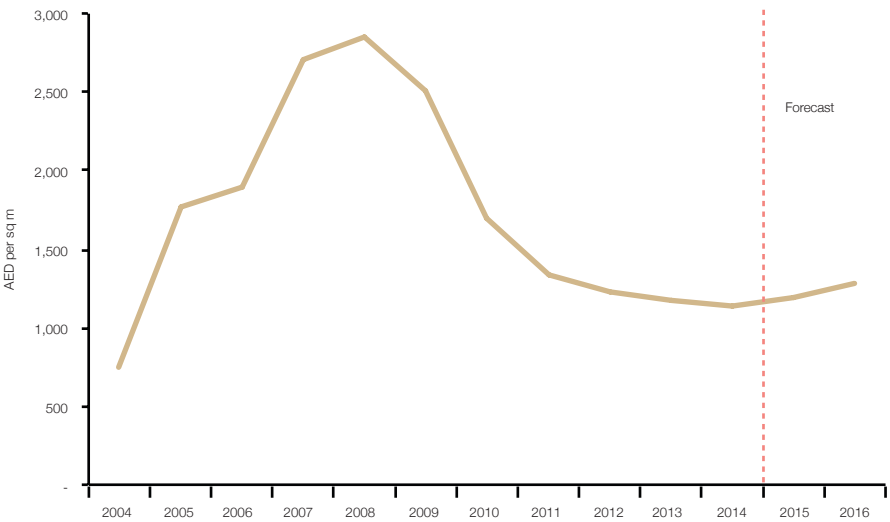
Market Sentiment

- With the exception of one or two developments, there is a shortage of prime/grade A office space available which meets occupiers’ needs in Abu Dhabi.
- Good quality office supply due to be delivered includes Al Hilal Bank building, Al Maryah Island and ADGM Square (FZ). However these are unlikely to meet current market needs in terms of both price point and location.
- The Four Seasons remain on track to open in H1 2016. This should provide additional footfall and retail opportunities at Al Maryah.
- A Memorandum of Understanding (MoU) exists between the ADGM and the Abu Dhabi Department of Economic Development (DED) which covers many aspects including the registration and protection of company names and licences, both onshore and within ADGM.
- Al Maryah Central – the 230,000 sq m retail mall which will link to adjacent The Galleria – started ground works in November 2014. It is expected to open in 2018 after having gained detailed project approval from the Urban Planning Council (UPC) in the first half of this year.
- Plans have been outlined to build four new bridges to connect Abu Dhabi island and Al Reem island. Once complete, this will make Al Maryah island a more accessible location and in turn should increase its appeal among businesses.

Market Focus: Al Maryah Island

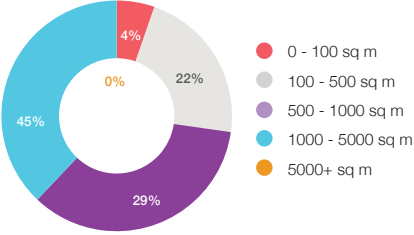
- The newly renamed Abu Dhabi Global Market Square (ADGM) went ‘live’ on Sunday 14th June. The ADGM is now accepting applications for the registration of non-financial services companies, private limited organisations and branches of foreign businesses.
- Currently the registration of leases and charges is not yet possible through the ADGM, but this is expected to be possible by the end of this year.

FIGURE 4
Average Grade A shell & core office rents, Abu Dhabi



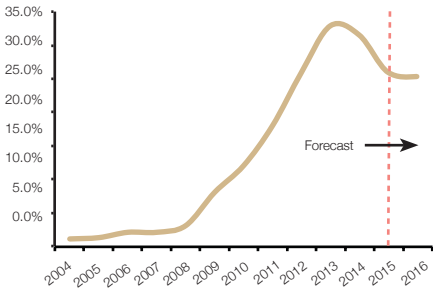
Source: Knight Frank Research

FIGURE 6
Size Requirements, H1 2015



Source: Knight Frank Research

FIGURE 7
Vacancy Rate, Abu Dhabi



Source: Knight Frank Research

FIGURE 8
Key Market Indicators

	Headline rents	Trending
Prime rents	AED 1,900/m ² /annum	►
Grade A	AED 1,400/m ² /annum	►
Availability	26%	►
Average Inducement	11%	►

Source: Knight Frank Research



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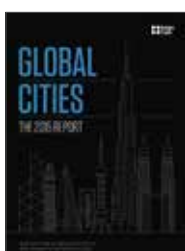
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