

RESEARCH

A photograph of the Abu Dhabi skyline at dusk. The sky is a mix of blue and pink. Several skyscrapers are illuminated with lights, and their reflections are visible in the water in the foreground. The most prominent building is a tall, curved skyscraper with a glowing top section.

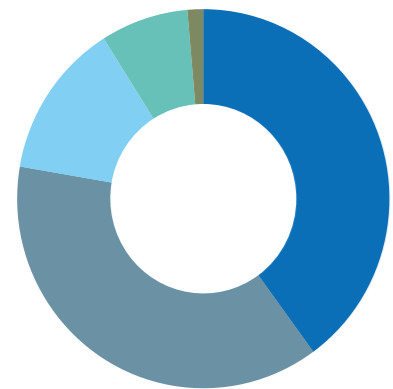
ABU DHABI OFFICE RESEARCH REPORT

H2 2014

LOWER OIL PRICES COULD LEAD TO POSSIBLE IMPLICATIONS FOR REAL ESTATE;
WHICH ARE YET TO BE FELT.

MARKET REVIEW: OIL PRICE IMPLICATIONS

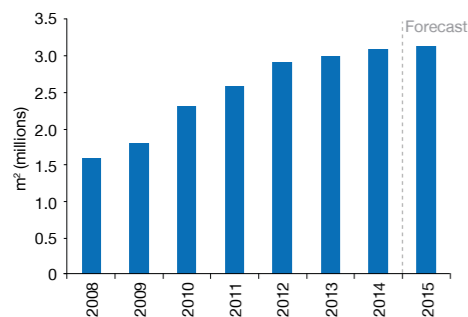
FIGURE 1
Size requirement, H2 2014



Size Requirement	Percentage
0 - 100m²	40%
100 - 500m²	38%
500 - 1000m²	13%
1000 - 5000m²	8%
5000m² +	1%

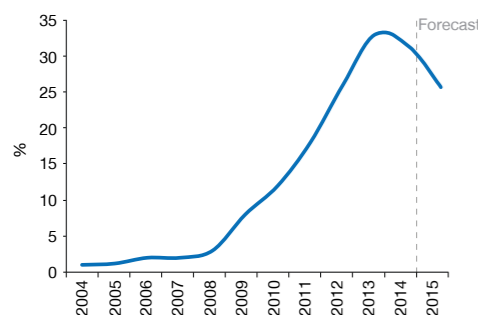
Source: Knight Frank

FIGURE 2
Abu Dhabi office stock, 2008 - 2015



Source: Knight Frank

FIGURE 3
Vacancy rate, 2004 - 2015



Source: Knight Frank

- Lower oil prices could lead to possible implications for real estate; Commercial property however should be able to shrug off such concerns as the region's medium to long-term prospects remain strong in addition to a limited supply pipeline.
- After hitting nearly US\$108/barrel in June, the average Organization of Petroleum Exporting Countries' (OPEC) reference price fell to under US\$50/ in Q1 2015.
- Abu Dhabi will however see greater implications as the economy (c.51% of Abu Dhabi GDP) is still significantly more dependent on hydro-carbons than Dubai.
- This is important given that large publicly funded, infrastructure-related schemes tend to stimulate construction activity, and thus support growth across the real estate sector.

Market Comment

- We witnessed a marginal slowdown in the number of enquiries in H2, which may be due to companies reviewing the impact in falling oil prices.
- The main demand for offices was between 100 m² and 500 m², with nearly 80% of enquiries within this size range.
- The Leisure & Hospitality sector witnessed an increase in the number of enquires, which reflects the government's efforts in diversifying the economy and growing this sector.
- Over 2014, take up was still dominated by the oil and gas (16%) and government sectors (15%) which significantly impacted the absorption of new office accommodation in Abu Dhabi.
- The overall effect on market rents

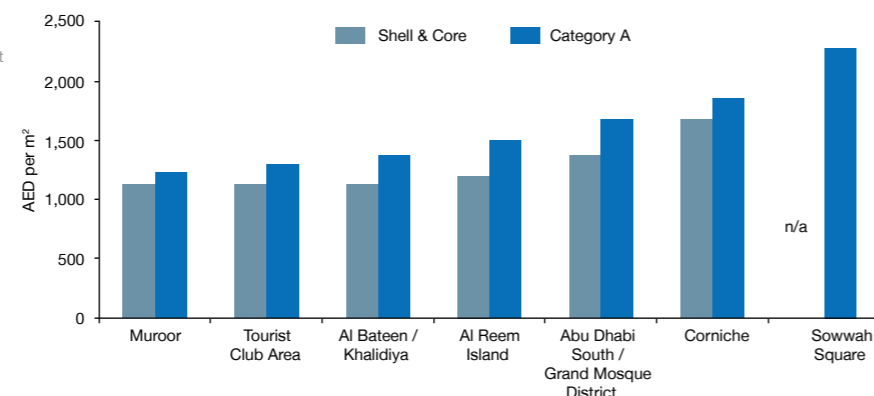
over 2014 was minimal, but we could witness further improvements in headline rents, as little Prime or Grade A supply enters the market.

- Prime office rents edged up in Abu Dhabi in H2 2014 to AED 1,800 per m², whilst rental values for Grade A shell and core office space remained steady at AED 1,200 per m².

Market Sentiment

- The UAE continues to improve in global standings, currently ranked 22nd (first Arab country) in the World Bank's Doing Business.
- Market sentiment through the diversification of the economy continues to improve with mega projects such as Khalifa Port, registering a growth rate of 24% from January to September 2014, compared to the corresponding period in 2013;

FIGURE 4
Indicative headline office rents by district, H2 2014



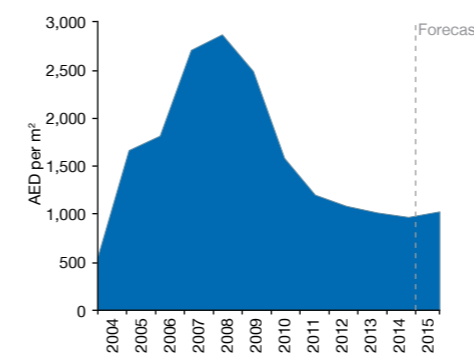
Source: Knight Frank

FIGURE 5
Key market indicators

	Headline rents	Trending
Prime Rents	AED 1,800/m²/annum	↔
Grade A	AED 1,200/m²/annum	↔
Availability	26%	▼
Average inducement	11%	↔

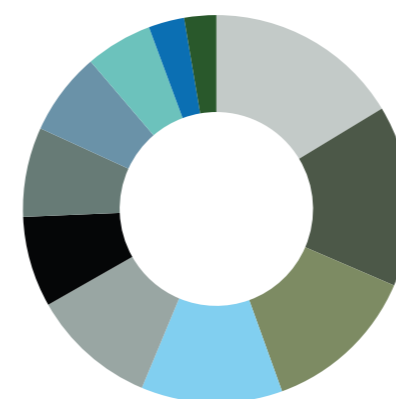
Source: Knight Frank

FIGURE 6
Grade A shell & core office rents



Source: Knight Frank

FIGURE 7
Demand by sector, H2 2014



Sector	Percentage
Oil & Gas	16%
Government	15%
Financial	13%
Real Estate	12%
General Trading	10%
Leisure / Hospitality	8%
Professional	7%
Engineering & Construction	7%
Technological	6%
Other	3%
Medical / Pharma	3%

Source: Knight Frank

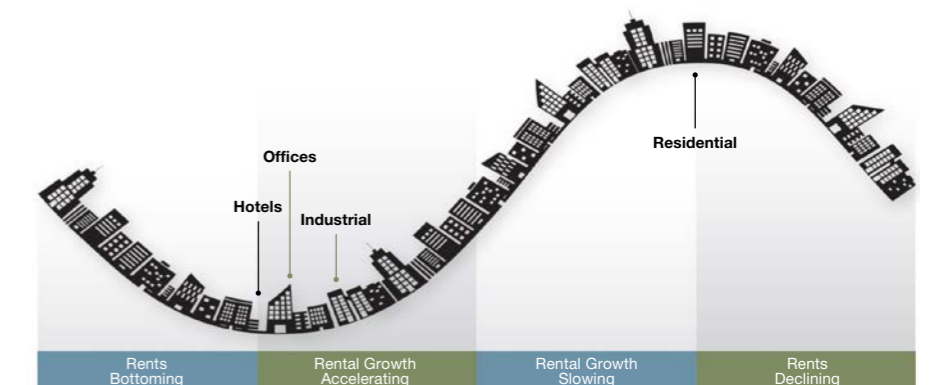


- With the Midfield terminal due to be completed on the 7th July 2017, this will be expected to positively impact the economy further, in both trade and tourism. Any delays could affect passenger growth and therefore the sector.
- As seen in fig. 8 the office market will see growth, however, it lags the residential sector, which has already peaked in H2 2014.
- Abu Dhabi Global Market (ADGM), the newly formed international financial centre in Abu Dhabi, announced that it has signed a 50-year lease for the Financial Building, Al Maryah Island which is owned by a Mubadala subsidiary.
- The ADGM will be responsible for establishing a legal jurisdiction, registering entities (within the freezone) and regulating all financial services activity on the island in line with international standards and under English Common Law.
- The Four Seasons, Al Maryah is also penned to open in H2 2015 which will expand the overall offering on the island.

Market Focus: Abu Dhabi Global Market Square (Formally Sowwah Square)

- Abu Dhabi's first financial freezone has been renamed Abu Dhabi Global Market Square.

FIGURE 8
Prime Property Rent Cycle, Abu Dhabi (Q4 2014)



The above diagram is intended to provide a comparative guide to the current positions of Abu Dhabi property sectors in their cycles. Markets will move through their cycles at different speeds and, sometimes, in different directions. The positions indicated in the diagram do not constitute forecasts of future rental value trends.

Source: Knight Frank



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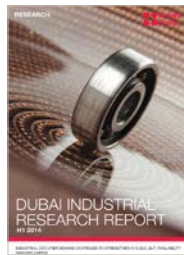
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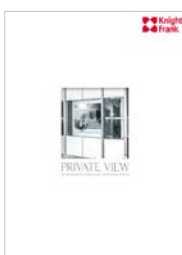
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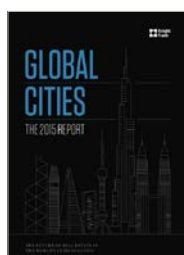
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