

*A biannual review of key trends and the performance of
Dubai's office market*



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Dubai Office Market Review

Summer|2021



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Headline rents start to stabilise

Headline office rents across Dubai have shown signs of stabilising, with 14 of the 26 submarkets we track registering no quarterly change in rents during Q2 2021; however, rents remain at levels last recorded in the second half of 2012, leaving occupiers firmly in the driving seat.

At a submarket level, the best performers over the last 12 months have been The Greens (+6%), Business Bay (+4%) and Dubai Media City (+2%), where rents ended June at AED 88 psf, AED 78 psf and AED 151 psf, respectively. Interestingly, headline rents in The Greens are still 6.8% below their pre-pandemic levels, whereas rents at Dubai Media City have returned to pre-Covid rates. In Business Bay, the AED 3 psf increase between Q1 and Q2 2021 means rates have experienced their first increase since Q3 2019, when they stood at AED 78 psf.

THE MARKET IN NUMBERS



Source: Knight Frank

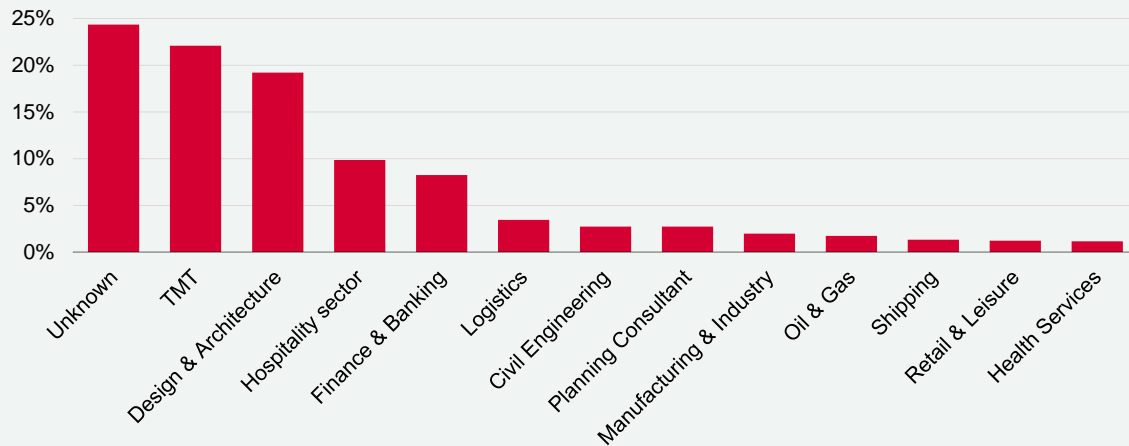
TMT sector remains most active as requirements rise

As is the case with other global cities, the TMT sector is underpinning office requirements as the market thaws following an extended period of pandemic-induced stasis and it is the TMT sector where we are seeing the fastest rate of job creation. In fact, over the next 5 years, the TMT sector, together with transportation and storage is expected to add almost 100,000 net new jobs to the UAE economy – the highest for any sector.



Submarkets such as the DIFC continue to attract new tech-start-ups

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Share of new office space requirements by sector - Q2|2021



Source: Knight Frank

The best metric to highlight the dominance of the tech sector are active requirements. Of the 203,000 sq ft of new requirements registered during Q2, the technology-media-telecoms sector accounts for the lion's share (22.1%), followed by design and architecture firms (19.2%) and the hospitality sector (9.9%). Most TMT requirements are concentrated around Central Dubai (DIFC, Downtown, SZR and Business Bay), where submarkets such as the DIFC continue to attract new tech-start-ups, while a handful are seeking space in TECOM.

Overall, new requirements rose by 11.2% during Q2 from 182,500 sq ft during Q1. Meanwhile, the two largest new requirements are for more than 20,000 sq ft of space, while the average office space being sought sits at around 4,200 sq ft.

“The federal and local governments across the UAE continue to unveil key policy initiatives that will be crucial in helping to create future demand for residential and commercial property across the country.”

Companies Law amendment not expected to alter existing occupiers' behaviour

The federal and local governments across the UAE continue to unveil key policy initiatives that will be crucial in helping to create future demand for residential and commercial property across the country. Confirmation of the 100% company foreign ownership law that came into effect on 1 June will undoubtedly have a significant impact in the medium to long term for demand for office space in key markets such as Dubai and Abu Dhabi that are still slowly recovering in the aftermath of the global pandemic. With this landmark change, the UAE has unlocked its potential to emerge as a key global contender business headquarters, which were previously confined to freezones across the country.

Indeed, we have already noted a handful of smaller businesses that are looking to relocate to “onshore” locations from some of Dubai's free zones. We do not expect to see a sudden exodus of businesses from the city's freezones as the amended law is largely designed to benefit the manufacturing sector and most freezone locations offer numerous advantages over onshore locations: access to world class transportation and logistics infrastructure, agglomeration benefits and freezone specific tax advantages, for instance.

HEADLINE OFFICE RENTS ACROSS DUBAI
(AED psf)

Submarket	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	3-month change	12-month change
Al Barsha	87	84	75	70	70	0.0%	-19.0%
Bur Dubai	100	91	88	81	80	-0.7%	-20.0%
Business Bay	75	73	71	75	78	4.4%	4.0%
DAFZA	171	171	171	170	170	0.0%	-1.0%
Deira	89	89	87	87	87	-0.8%	-3.0%
DIFC	208	205	206	201	192	-4.2%	-7.0%
Downtown Burj Khalifa	150	148	148	136	136	0.0%	-9.0%
Downtown Jebel Ali	70	68	65	60	65	8.3%	-7.0%
Dubai Design District	150	145	145	140	140	0.0%	-7.0%
Dubai Healthcare City	105	105	105	100	100	0.0%	-5.0%
Dubai Internet City	160	120	140	140	140	0.0%	-13.0%
Dubai Hills				80	85	6.3%	n/a
Dubai Investments Park	67	63	63	63	63	0.0%	-6.0%
Dubai Marina	130	125	125	120	120	0.0%	-8.0%
Dubai Media City	148	148	148	148	151	1.7%	2.0%
Dubai South	60	60	60	60	60	0.0%	0.0%
DWTC District	120	118	116	113	115	1.8%	-4.0%
Festival City	140	140	135	130	130	0.0%	-7.0%
The Greens	83	83	83	83	88	6.1%	6.0%
JAFZA	118	118	118	95	95	0.0%	-19.0%
JLT	84	82	83	82	82	0.5%	-2.0%
Jumeirah Beach Road	106	103	101	100	100	0.0%	-6.0%
Silicon Oasis	120	120	110	100	100	0.0%	-17.0%
SZR (East)	147	147	145	144	141	-2.1%	-4.0%
SZR (West)	101	101	100	98	100	2.0%	-1.0%
TECOM	125	124	121	126	125	-1.1%	0.0%

Source: Knight Frank

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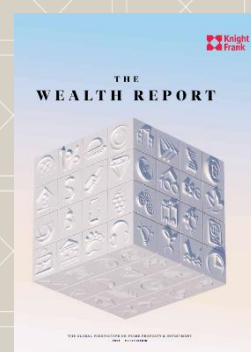
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