

A background image showing a reflection of the Dubai skyline in a glass window. The reflection shows several tall, modern skyscrapers with blue and white facades, set against a clear blue sky. The window frame is visible as a grid of dark lines.

Q1 2013

# DUBAI OFFICES

Market update

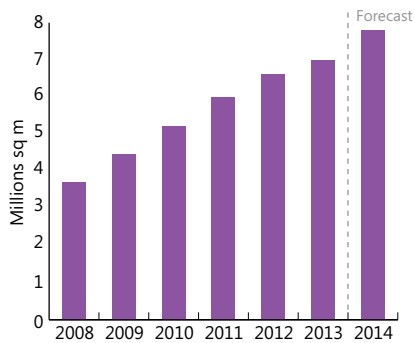
## HIGHLIGHTS

- Rental rates have shown signs of recovery, but this is limited to prime buildings in the best locations. Secondary buildings have continued to witness downward pressure.
- The flight to quality that has been witnessed over the last 12 months continues as occupiers take advantage of good quality office accommodation at more affordable prices.
- Supply will continue to be absorbed by tenants consolidating their operations and taking advantage of cost saving solutions.
- Although the secondary market is expected to continue to struggle throughout 2013 the best buildings will attract the overflow from prime buildings.

## Market comment

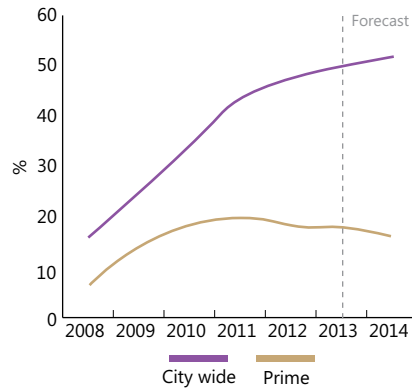
- The Dubai office market continues to witness an increase in supply with a further 260,000 sq m being introduced to the market over the last six months.
- Office stock continues to be introduced to the market and while vacancy rates are not increasing at the same rate as previously, demand is not at a level where it is outweighing supply.
- The flight to quality that has been witnessed over the last 12 months continues as occupiers take advantage of good quality office accommodation at affordable prices.
- The current absorption of office accommodation at the Standard Chartered Building in downtown indicates that there is occupier demand for new, good quality offices in prime locations.

Figure 1  
**Dubai office stock (2008-2013)**



Source: Knight Frank

Figure 2  
**Total vacancy rates**



Source: Knight Frank



## MARKET VIEW

- As has been the recent trend; best in class, prime office accommodation will continue to attract the best quality tenants and as these properties are in short supply rents may increase.
- Although the secondary market is expected to continue to struggle throughout 2013 the prime buildings will attract the overflow from prime buildings.
- Supply will continue to be absorbed by tenants consolidating their operations and taking advantage of cost saving solutions.
- Landlords in prime locations can afford to be less flexible with incentives whereas landlords in secondary locations will have to remain flexible to attract tenants.

Figure 3  
**Key market indicators**

To category A fit out	Rents (AED/psm)	Trending
DIFC	AED 2,530	▲
Prime	AED 1,615	▼
Grade A	AED 1,290	▼
Grade B	AED 645	▼
City wide vacancy	50%	▼
Average rent free inducement	13%	▲

Figure 4  
**Current demand by occupier in Q1 2013**

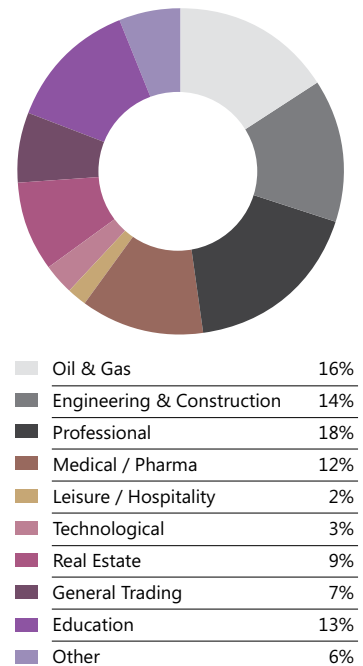
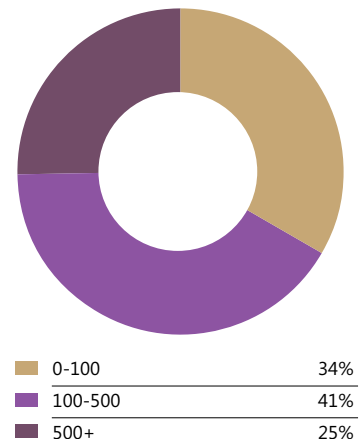


Figure 5  
**Tenant size requirement (sq m) in Q1 2013**



Source: Knight Frank

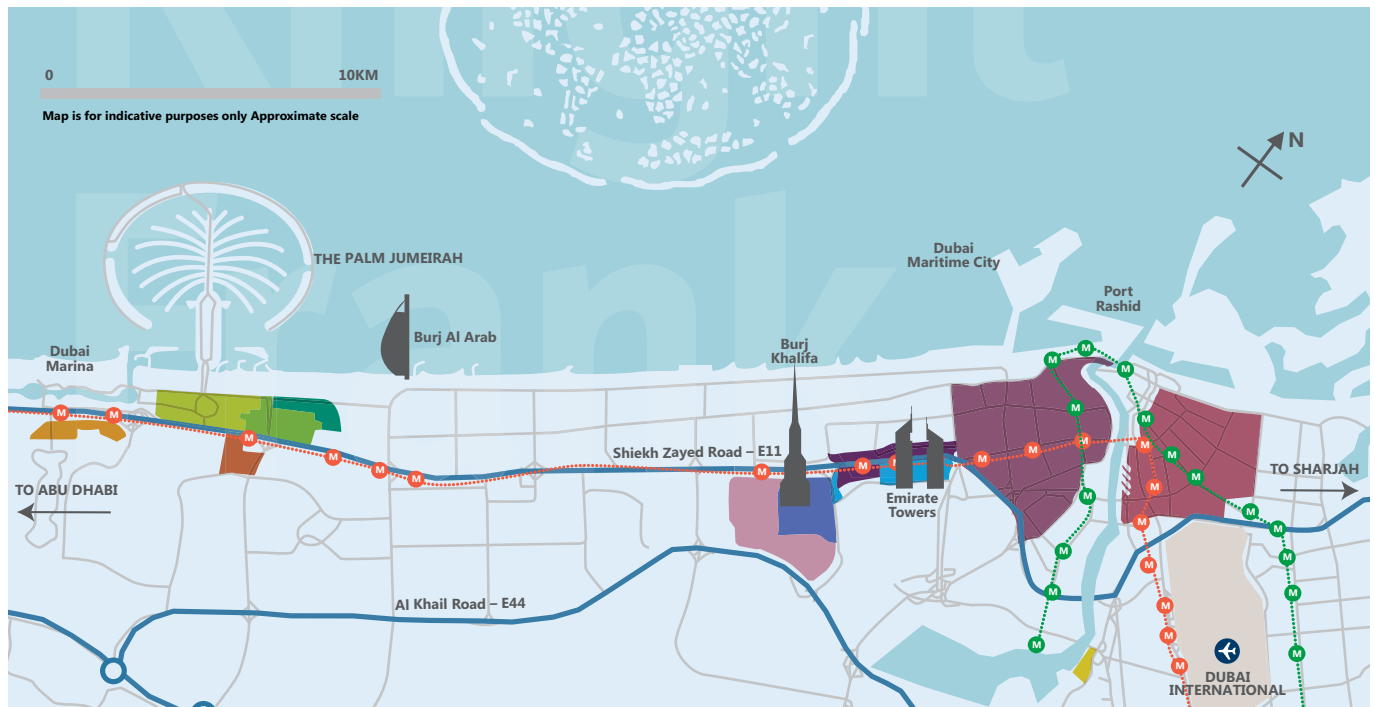
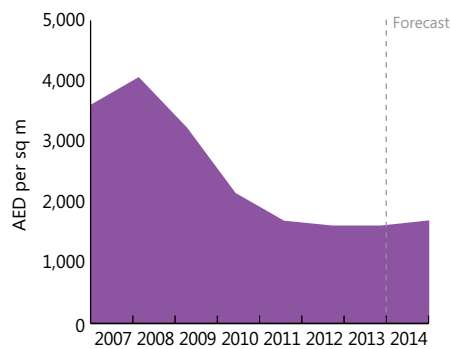


Figure 6

### Prime rental rates for office space in Dubai excluding DIFC



Source: Knight Frank



Prime vacancy rates continue to decrease

Table 1 Indicative rents by district

	AED/psm Indicative rent for fitted accommodation	Trending
Sheikh Zayed Road	1,290	▼
Emaar Square / Downtown	1,615	▼
Dubai International Financial Centre	2,530	►
Internet City	1,720	►
Media City	1,720	►
Knowledge Village	1,720	►
TECOM C	540	►
Jumeirah Lake Towers	645	►
Business Bay	540	►
Deira	1,075	►
Bur Dubai / Oud Metha	860	►
Festival City	1,075	►

Source: Knight Frank Research

## FREEZONE VIEW

- There is continued demand for high quality freezone accommodation outside of the CBD with Dubai Airport Freezone, Media City and Internet City all witnessing very high levels of occupancy.
- The Dubai International Financial Centre (DIFC) continues to report high occupancy levels in the DIFC owned buildings resulting in occupiers looking to privately owned properties to find suitable accommodation.
- Due to the high occupancy levels witnessed in these freezones rental increases will occur in 2013.

## Americas

USA  
Canada  
Caribbean

## Australasia

Australia  
New Zealand

## Europe

UK  
Belgium  
Czech Republic  
France  
Germany  
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  
South Korea  
Thailand  
Vietnam

## The Gulf

Bahrain  
Qatar  
UAE

## Abu Dhabi Office

P.O. Box 3520  
Plot C 210,  
East 4/2  
Al Muroor Street  
Abu Dhabi  
United Arab Emirates  
**T:** +971 (0) 2659 4994

## Leasing – Abu Dhabi

### Matthew Dadd

Associate  
**D:** +971 (0) 2635 3286  
**M:** +971 (0) 5661 46087  
matthew.dadd@me.knightfrank.com

### Ali Mohamed Ali

Assistant Leasing Manager  
**D:** +971 (0) 2635 0976  
**M:** +971 (0) 5031 81251  
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 (0) 4451 2000

## Leasing – Dubai

### Euan Kelly

Surveyor  
**D:** +971 (0) 4451 2000  
**M:** +971 (0) 5081 58370  
euan.kelly@me.knightfrank.com

## Valuation & Professional Services

### Stephen Flanagan

Director of Professional Services  
**D:** +971 (0) 2658 8685  
**M:** +971 (0) 5081 33402  
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 Research.

Knight Frank UAE Limited – Abu Dhabi, is a foreign branch with registration number 1189910  
Our registered office is: Plot C 210, East 4/2, Al Muroor Street, Abu Dhabi, UAE, PO Box 3520