

RESEARCH



# DUBAI INDUSTRIAL RESEARCH REPORT

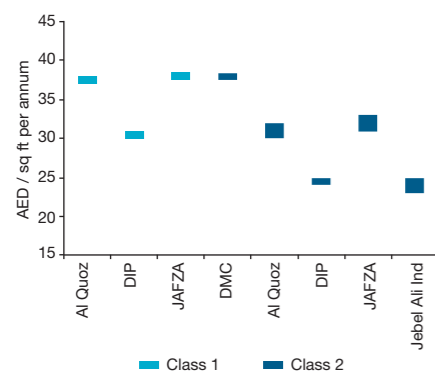
H1 2014

INDUSTRIAL OCCUPIER DEMAND CONTINUES TO STRENGTHEN IN DUBAI, BUT AVAILABILITY REMAINS LIMITED

# DUBAI INDUSTRIAL RENTS CONTINUE TO RECOVER IN H1 2014

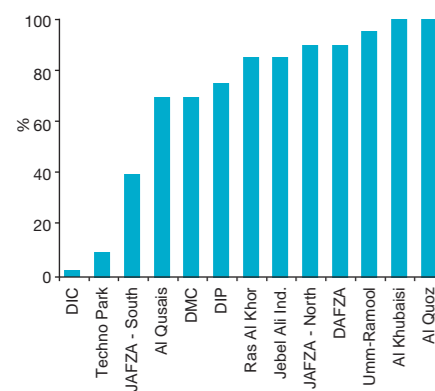
Enquiries from food & beverage firms almost double as they seek to consolidate operations

FIGURE 1  
Dubai industrial rents, H1 2014



Source: Knight Frank

FIGURE 2  
Percentage of industrial land developed across selected districts



Source: Knight Frank

FIGURE 3  
Key industrial districts

	Age	Size (sq km)	Developed	Status
AI Quoz	1973	27	95%	On shore
DIP	1997	32	85%	On shore
JAFZA	1985	56	75%	Free Zone
Jebel Ali Ind	1995	22	60%	On shore
Ras Al Khor	1976	12	95%	On shore
DMC	2007	2	70%	Free Zone
DWC	2006	140	15%	Free Zone & on shore

Source: Knight Frank

## MARKET COMMENT

In the first half of 2014, the level of enquiries for industrial property were significantly stronger compared to six months earlier. However, due to a lack of stock availability, transactional activity was fairly weak – which helps to explain fairly muted rental value growth of 1% quarter-on-quarter between April and June 2014.

In annual terms however, industrial rents were up 25% in the three months to June 2014. Over the past year, rental values have experienced double-digit increases in seven out of the nine districts that we track in Dubai. Class 2 buildings in Dubai Investments Park (DIP), Jebel Ali and Ras Al Khor have performed especially well, with rents across the three districts up 41% year-on-year on average in Q2 2014.

However, that's not to say that Class 1 buildings across the emirate have performed poorly. Annually, in Q2 2014, rental values were up 29%, 12% and

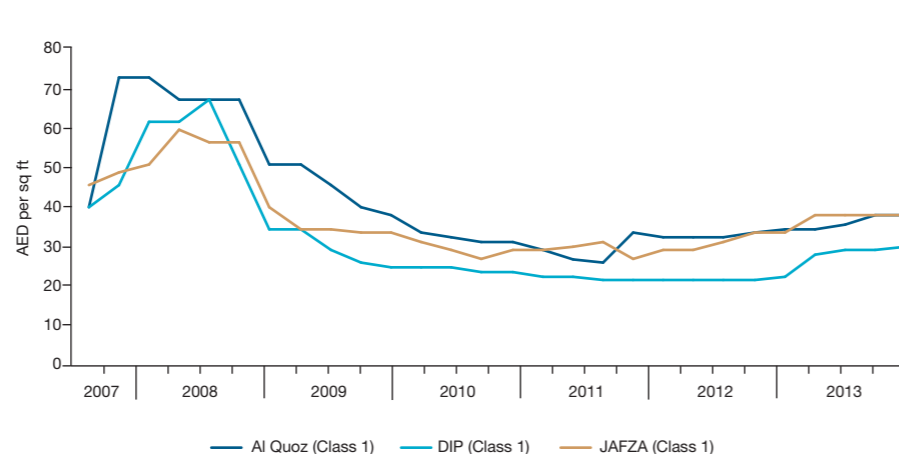
9% across DIP, JAFZA and AI Quoz respectively. In DIP, while rents are rising off a low base, occupiers are attracted to the park's strong infrastructure and fairly new facilities.

### Industrial property activity remains healthy

Emirates Sky Cargo has completed the construction of its designated 800,000 sq ft cargo terminal at Dubai World Central's (DWC) Al Maktoum International Airport. The newly opened terminal is reported to be equipped with state-of-the-art technology and is expected to be able to handle 700,000 tonnes of cargo annually. Phase two of the scheme is planned to be completed by September 2014.

Also in DWC, Kuehne & Nagel has extended its logistics centre by adding 150,000 sq ft to its state-of-the-art facility in Logistics City. The completion of the second phase of the project – which has been awarded a LEED gold rating – brings the logistics centre's total covered area to approximately 300,000 sq ft.

FIGURE 4  
Class 1 Industrial rents, Q3 2007 - Q2 2014



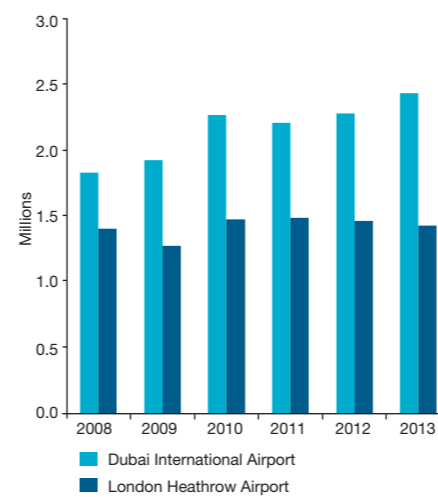
Source: Knight Frank

FIGURE 5  
Key market indicators

	Rents	Trending
Class 1 rents JAFZA	AED 38 per sq ft	▲
Class 1 rents DIP	AED 31 per sq ft	▲
Most enquired size requirement	100,000 sq ft	◀▶

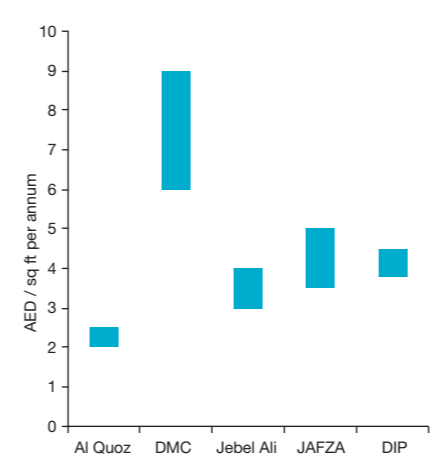
Source: Knight Frank

FIGURE 6  
Cargo handled (metric tonnes)



Source: Various

FIGURE 7  
Dubai ground rents, H1 2014



Source: Knight Frank

Elsewhere, construction in currently underway to build a 150,000 sq ft oilfield services facility in JAFZA's South Zone for an American blue chip organisation. The build-to-suit scheme will be developed by Economic Zones World's Customised Solutions Department and is expected to be completed in the first half of 2015.

Also, Cameron International – a US based technical services provider to the oil & gas industry – has signed a two-year deal with GSH Corporation (a Singaporean logistics firm) to lease a new 80,000 sq ft office and warehouse facility in JAFZA's South Zone.

### Dubai on-shore focus

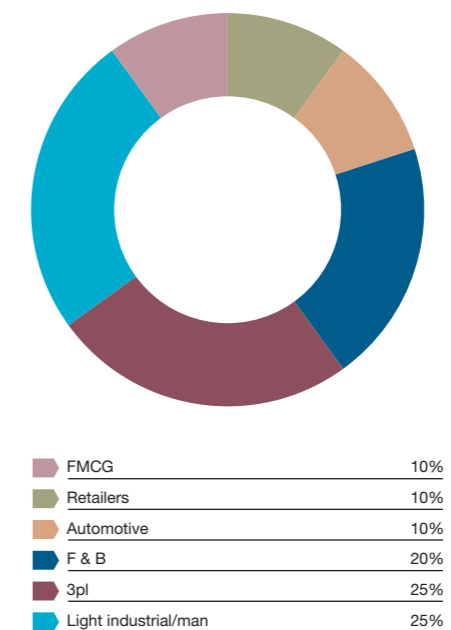
Consistent with strong growth in Dubai's retail sector, demand for warehouse and distribution facilities remained healthy between January and June 2014. However, a growing shortage of good quality industrial buildings is leaving new occupiers with little choice except to settle for lesser quality units.

In the first half of 2014, enquiries from food & beverage distributors in onshore locations more or less doubled compared to six months earlier. The jump was primarily driven by organisations' need to consolidate into single hub locations in order to improve their supply chain performance. Not surprisingly then, a significant proportion of enquiries were for units sized 100,000 sq ft or above.

Moreover, as older industrial buildings in AI Quoz, Ras Al Khor and Rasidiyia reach the end of their lifecycle, we have witnessed a surge in development activity in these areas. Unfortunately, at between 30,000 and 50,000 sq ft, plot sizes are broadly too small to meet larger occupiers' requirements.

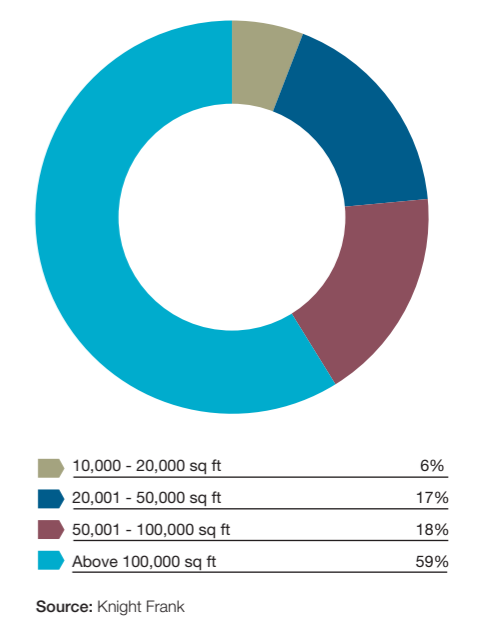
Also, in AI Quoz, recently completed infrastructure improvements in the industrial areas have helped boost take-up of general warehousing stock. Moreover, occupiers are generally drawn to the area due to its central location and excellent connectivity.

FIGURE 8  
Enquiries by sector, H1 2014



Source: Knight Frank

FIGURE 9  
Size requirement, H1 2014



Source: Knight Frank



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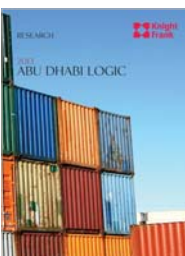
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