

# HI 2011 ABU DHABI LOGISTICS & INDUSTRIAL

Market update

**Knight Frank**

## HIGHLIGHTS

- Within the established industrial locations of Abu Dhabi rental rates for open storage and compound land have stabilised over the past 6 months.
- Private developers and landowners have continued to lease storage land in Mussafah for in excess of AED 120 per metre per annum.
- We have witnessed a decline in rental rates for older buildings in the established areas of Mussafah and Mina Zayed.
- Older poorly maintained industrial buildings across the established industrial locations experience higher vacancies and lower rental values as competition increases.
- ALMARKAZ has progressed smoothly with the development of phase 1, which is made up of 90,000 sq m of light industrial accommodation which is due for completion in December 2011.

# HI 2011

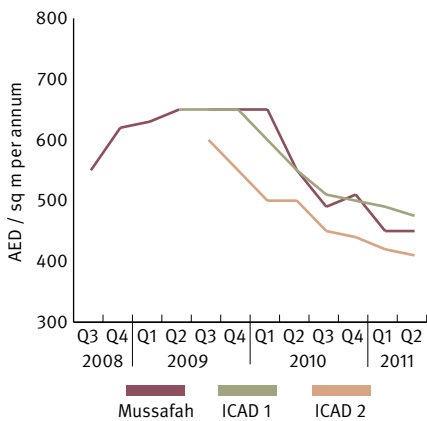
## ABU DHABI LOGISTICS & INDUSTRIAL

Market update

### Market comment

- More sophisticated occupiers are seeking better quality modern facilities as rental prices across Abu Dhabi's industrial areas have settled at lower than previous levels.
- We anticipate a further flight to quality as redevelopment of older buildings and the new build of modern facilities within Mussafah will continue to provide companies with alternative occupational options.
- Within the last 3 months we have witnessed landlords beginning to offer more flexible lease terms, but rent free inducements still do not exceed 2-3 months.
- Landlords are more willing to pay agency and brokerage fees as incentives to both agencies and tenants.
- An increase in activity has been witnessed in the engineering compound/open land sector with a surge in recent requests from international engineering and plant equipment hire companies.

Figure 1  
Rental rates



Source: Knight Frank

\* all rental rates are net of municipality and authority charges and taxes, and are collected from selected comparable transactions, valuations and asking prices



Figure 2

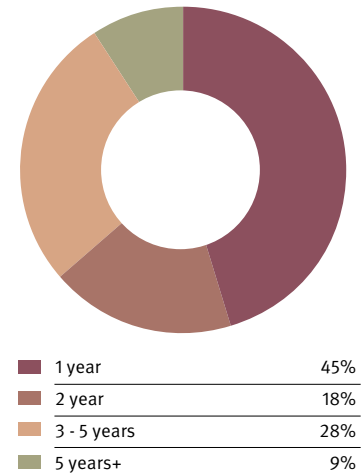
### Key market indicators

	Rents	Trending
Class 1 Abu Dhabi Industrial City (ICAD)	500 sq m	▶
Class 1 Abu Dhabi Airport	700 sq m	▼
Average size requirement	500-10,000 sq m	▲
Average rent free inducement	3 months	▲

Source: Knight Frank

Figure 3

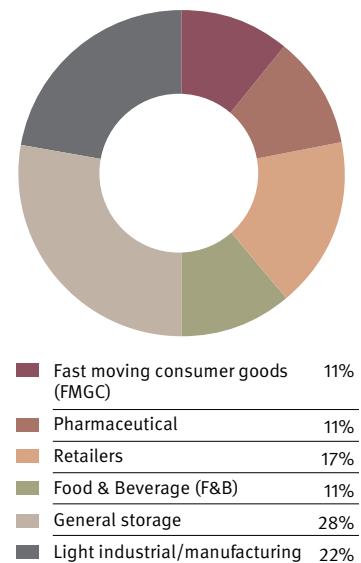
### Lease lengths



Source: Knight Frank

Figure 4

### Industrial property demand by sector



Source: Knight Frank

## MARKET VIEW

- Speculatively built light industrial units witnessed a reduction in rental rates to AED 350 per sq m and may fall further.
- Rental rates for modern newly built facilities continue to achieve rents upward of AED 500 per sq m in Musaffah and ICAD (Abu Dhabi Industrial City).
- Renewed interest in the build to suit market emerges from occupiers in the pharmaceutical supply chain and the food and beverage distribution industries.
- Strong demand is reported for better quality European specification facilities and developers are positive about providing further high quality stock.

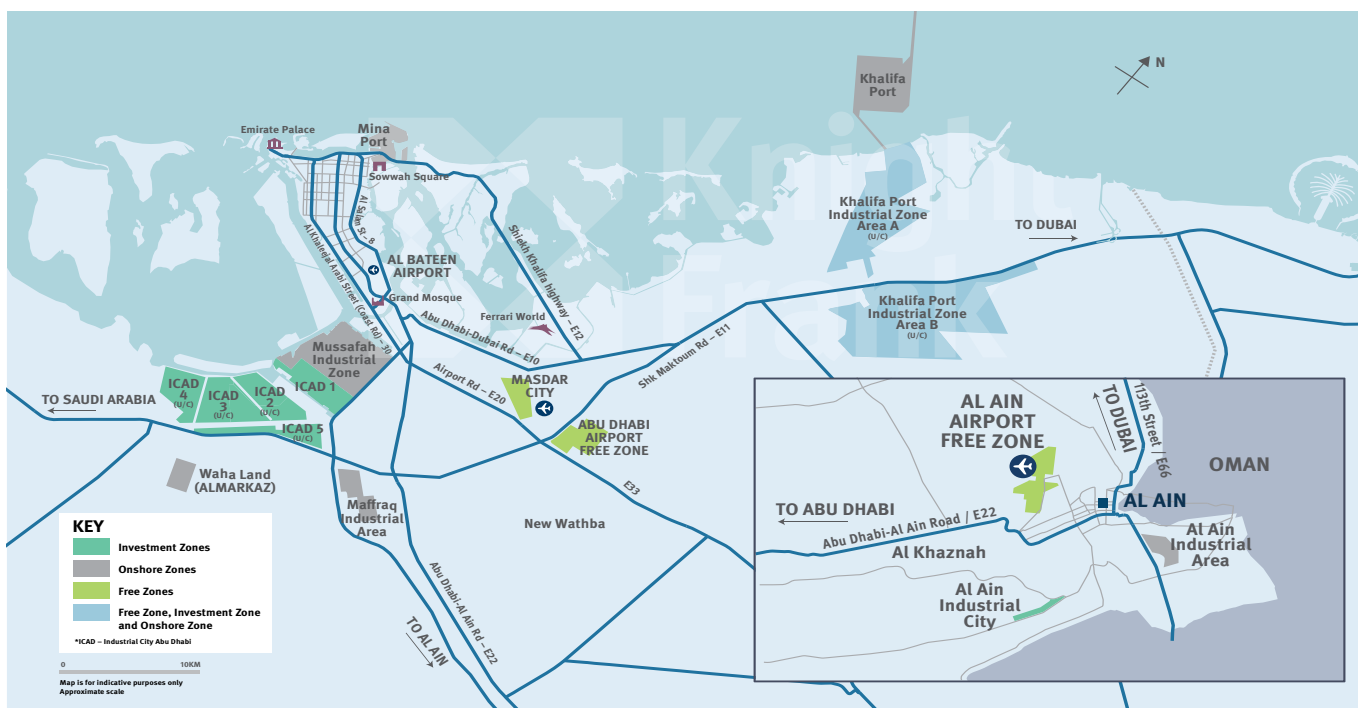
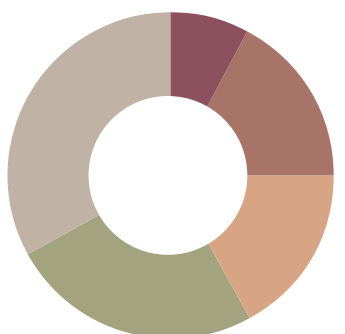


Table 1  
Geographic locations of focus

	Age	Size (sq km)	Developed
Musaffah	1970's	30	80%
ICAD 1	2006	14	80%
ICAD 2	2009	11	20%
Mina Zayed	1972		80%
Abu Dhabi Airport	2006	2.9	60%
KPIZ	2010	417	3-5%

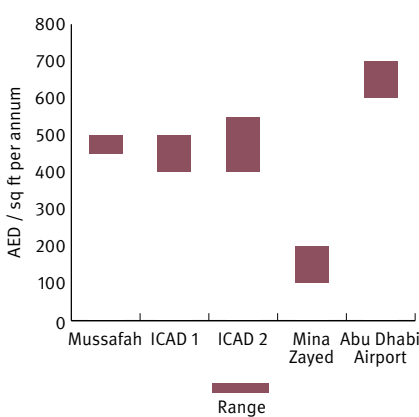
Figure 5  
Size requirement (sq m) in H1 2011



under 1000	8%
1,001 - 2,000	17%
2,001 - 5,000	17%
5,001 - 10,000	25%
10,000+	33%

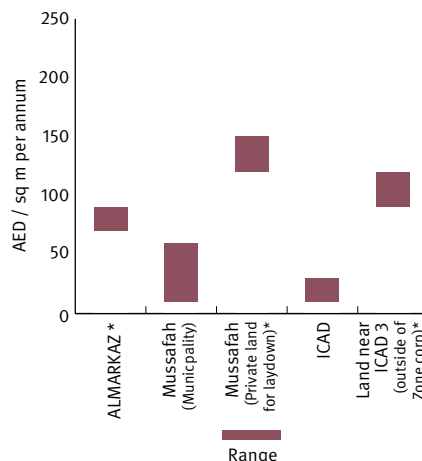
Source: Knight Frank

Figure 6  
Abu Dhabi industrial rents – Q3 2011



Source: Knight Frank

Figure 7  
Abu Dhabi ground rents – Q3 2011



Source: Knight Frank  
\*serviced land for laydown/hard standing

## MARKET VIEW

- The market anticipates the completion of ALMARKAZ phase 1 with 90,000 sq m of high quality light industrial accommodation being made available.
- Rental rates for older warehousing stock will continue to deteriorate as newer modern facilities will enter the market providing the occupier with more choice.
- Specialist industrial developers are researching the market, planning to emulate developments successfully completed in international markets.
- Khalifa Port Industrial Zone's (KPIZ) location and strategic occupiers will create further competition for Dubai landowners and developers.



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## Technical Note

- Warehouse accommodation has been sub-divided into Class 1 and Class 2, reflecting high and low quality respectively. Whilst subjective, this categorisation is based on an assessment of each property's age, specification, quality of build, location, situation, site coverage and operational efficiency.
- European specification and quality although subjective indicates that the building is consistent with what has become the institutionally acceptable investment standard for logistics and warehouse accommodation across Western Europe. Industry standard specifications would generally include raised dock entry set at approx. 1.3m, 1 dock per 10,000 sq ft of warehouse floor area, 2 level entry doors, 10% office content, 10m clear internal height, a site density not exceeding 50%, floor tolerances to allow free movement fork lift truck (FLT) operation according to height of building, temperature control, fully insulated external roofing and cladding system and a minimum 10 percent roof lights.

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