

RESEARCH



DUBAI OFFICES MARKET UPDATE

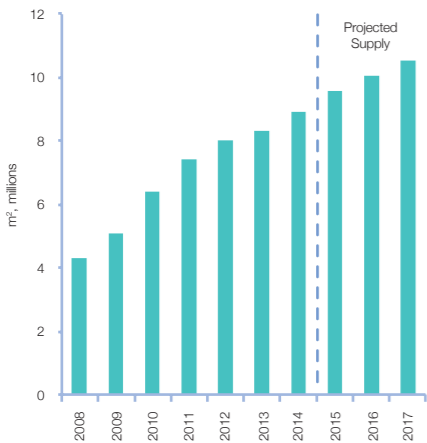
Q3 2015

PRIME OFFICE RENTS REMAIN STABLE WITH OCCUPIER ACTIVITY IN THE SHAPE OF EXPANSIONS, CONSOLIDATIONS AND NEW STARTUPS HELPING TO REDUCE VACANCY LEVELS

Q3 SEES UPLIFT IN DEMAND AND ENQUIRIES FOLLOWING A LONG SUMMER PERIOD



FIGURE 1
Dubai office stock, 2008-2017



Source: REIDIN, Knight Frank Research

The Dubai Office market has experienced a healthy level of demand in Q3 of 2015, following a slightly longer and sustained drop in occupier sentiment over the Ramadan period which, this year, found its way rolling into the summer months. Signs towards the latter end of Q3 suggest that occupier demand for the remainder of the year will remain strong. With tenant's end of year decision making window now noticeably shorter, this has provided added stimulus and urgency to businesses who now need to move quickly in order to secure premises for occupation by Q1 next year.

Occupier activity continues to be seen in the shape of expansions, new start-ups, consolidations and renewals which has further reduced vacancy levels, especially within prime office developments where the supply of available space remains low.

While there are signs economic momentum is slowing, levels of activity remain robust. Dubai's economy has continued to grow despite the drop in oil prices which is testament to the city's diversification across various sectors including finance, logistics, tourism and retail. The healthy level of demand and low supply of prime office space has helped to exert continued upward pressure on rents. Prime rents were again flat quarter on quarter but were up 2.1% from a year earlier.

Progress of Dubai's Grade A developments

Q3 2015 has kept a close eye on the delivery of a number of well-specified prime office developments designed to cater for a growing level of occupier demand, and we are seeing the construction of a number of Grade A developments which are coming out of the ground in order to satisfy both on shore and off shore demand now close to completion.

Tecom's D3 development at the Design District is the first to come on line with the initial phase delivered in March and set to complete by the end of this year. A number of high profile luxury, fashion and design companies have already committed to the development, encouraging a diverse range of global, regional and local firms in related industries to sign pre-lease agreements on future phases of the project. The development is able to cater for both companies that hold an onshore DED trade license, as well as companies that require a free zone license.

The new office development at the Trade Centre, expected to be delivered also in Q4 this year, will also add some much needed grade A supply to the market. Recent announcements have clarified that the development

will now also be suitable for free zone based business as well as those with a DED trade license.

The lack of well delivered office space within the DMCC has seen the emergence of One JLT which is expected to be delivered in Q4 2015. The grade A office building has been built to absorb specific demand from companies wishing to establish themselves within the commodities based free zone. The announcement of the Burj 2020 development at this year's Dubai Cityscape showed the unveiling of the design for the world's largest commercial tower. The building underpins demand for well-designed buildings which serve to cater for the market's corporate occupational requirements.

One of the most anticipated announcements within the DIFC freezone continues to draw market interest, where a joint venture between ICD and Brookfield is planning to deliver a 50 storey office tower that will sit behind Currency House and the Ritz Carlton

with direct physical access into the free zone itself. The announcement of Brookfield Place along with new stock recently delivered within buildings such as Index Tower and Burj Daman are providing much needed relief to the DIFC which is almost at full capacity itself.

Oil Prices and Commercial leasing

While the world keeps a watchful eye on the oil price movement which has muted certain corners of the market, and where corporate decision making is pegged to global market sentiment, on the whole leasing enquiries within Dubai's commercial real estate market remain buoyant.

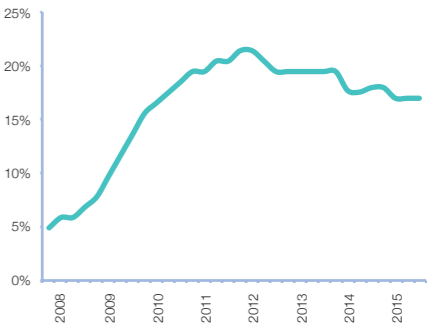
Dubai's economy has continued to grow despite the drop in oil prices which is testament to the city's diversification across various sectors including finance, logistics, tourism and retail, which has been reflected in the types of companies actively searching for new office accommodation during Q2 and Q3 this year.

FIGURE 6
Key market indicators

Prime rents (AED per m²)	1,990	↔
Grade A (AED per m²)	1,690	↔
Grade B (AED per m²)	1,130	↔
Market-wide vacancy rate	26%	↓
Average rent-free	6%	↔

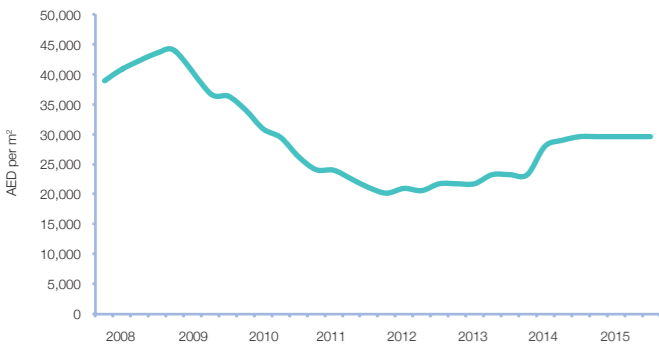
Source: REIDIN, Knight Frank Research

FIGURE 7
Prime vacancy rate



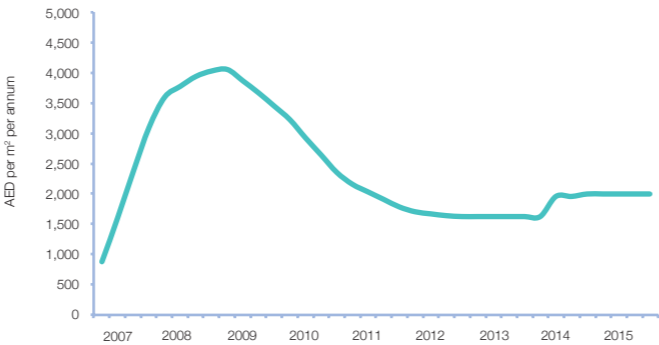
Source: REIDIN, Knight Frank Research

FIGURE 2
Prime Office Capital Values (excluding DIFC)



Source: Knight Frank Research

FIGURE 3
Prime Office Rents (excluding DIFC)



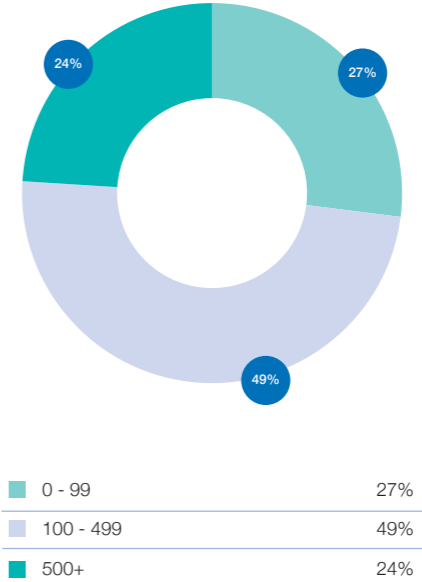
Source: Knight Frank Research

FIGURE 4
Indicative rents by district (AED per m2 per annum), Q3 2015

	Indicative for fitted office space	Trending
DIFC	2,530	↔
Emaar Square / Downtown	1,991	↔
Internet City	1,615	↔
Knowledge Village	1,615	↔
Media City	1,615	↔
Sheikh Zayed Road	1,615	↔
Business Bay	1,507	↔
JLT	1,130	↔
Deira	1,075	↔
Bur Dubai	969	↔
Tecom C	915	↔

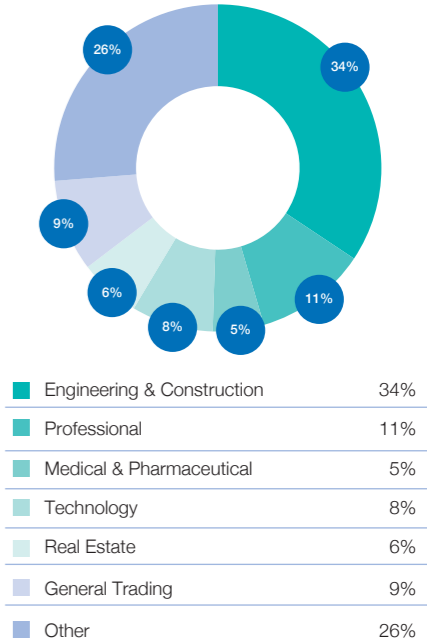
Source: Knight Frank Research

FIGURE 5
Enquiries - Requirement by Size (m2), Q3 2015



Source: Knight Frank Research

FIGURE 8
Enquiries by Sector, Q3 2015



Source: Knight Frank Research



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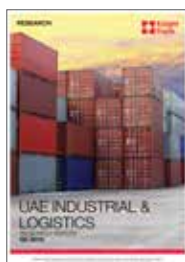
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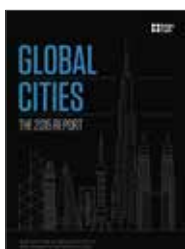
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