



# Q1 2012 DUBAI OFFICES

Market update

**Knight Frank**

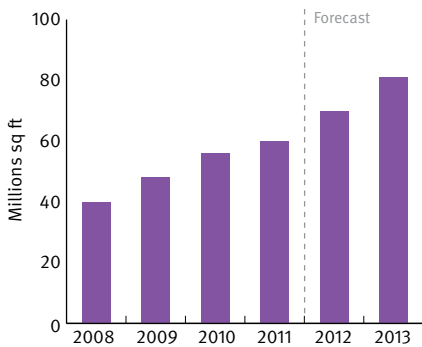
## HIGHLIGHTS

- Dubai remains the preeminent business destination in the Middle East and should therefore capture the majority of international corporate regional expansion and new business.
- The completion of large amounts of new secondary stock will continue to provide a challenging occupational environment and detract from positive activity in prime locations and buildings.
- Well located, single ownership buildings with good levels of car parking and high quality management will continue to attract and retain tenants.
- Prime headline rents remain unchanged over Q1 2012.

## Market comment

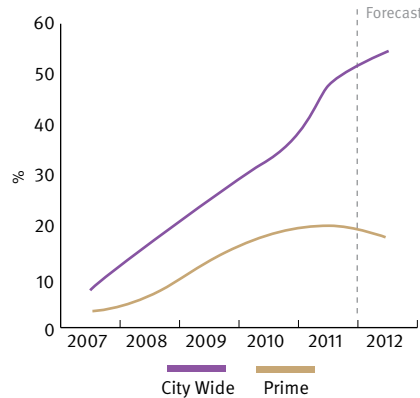
- Dubai's office market continues to witness increases in inventory entering the market with approximately 63 million sq ft of current completed stock.
- With the continued increase in supply the current vacancy rate for city wide properties stands at approximately 48%.
- Tenants are making the most out of the oversupply of office stock and consolidating operations along with upgrading into better quality accommodation. We anticipate this trend of trading up to continue through 2012.
- Overall rental rates are under continued pressure. Prime locations with best in class accommodation are reaching their low point in the rental cycle.
- Tenant incentives in the form of rent free periods and/or fit out periods vary depending on term certain but broadly reflect a 12-15% discount to headline levels.

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



Source: Knight Frank

Figure 2  
**Total vacancy rates**



Source: Knight Frank

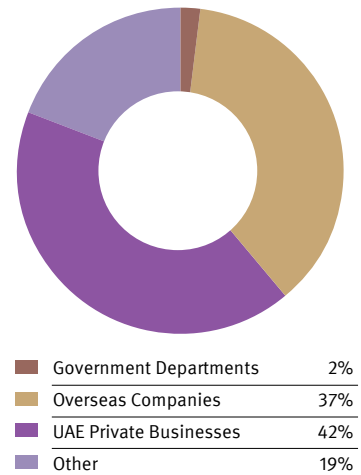


Figure 3  
**Key market indicators**  
 To category A fit out

	Rents	Trending
Prime	AED 280	▲
Grade A	AED 160	▼
Grade B	AED 60	▼
Availability/vacancy	48%	▲
Average rent free inducement	13%	▲

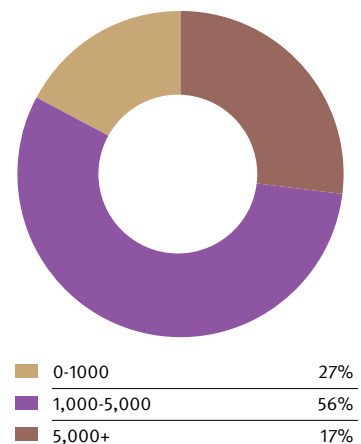
Source: Knight Frank

Figure 4  
**Current demand by occupier in Q1 2012**



Source: Knight Frank

Figure 5  
**Tenant size requirement (sq ft) in Q1 2012**



Source: Knight Frank

## MARKET VIEW

- Average lease lengths for prime properties with global corporate occupiers stand at 5 years. Secondary locations are witnessing considerably shorter lease lengths, as occupiers will not commit to long term expenditure.
- Best in class, prime offices will continue to attract good quality tenants.
- Downward pressure on broader market rents will continue for the foreseeable future.
- Secondary locations / poorer Grade B accommodation will continue to decline in both rental and capital value terms.

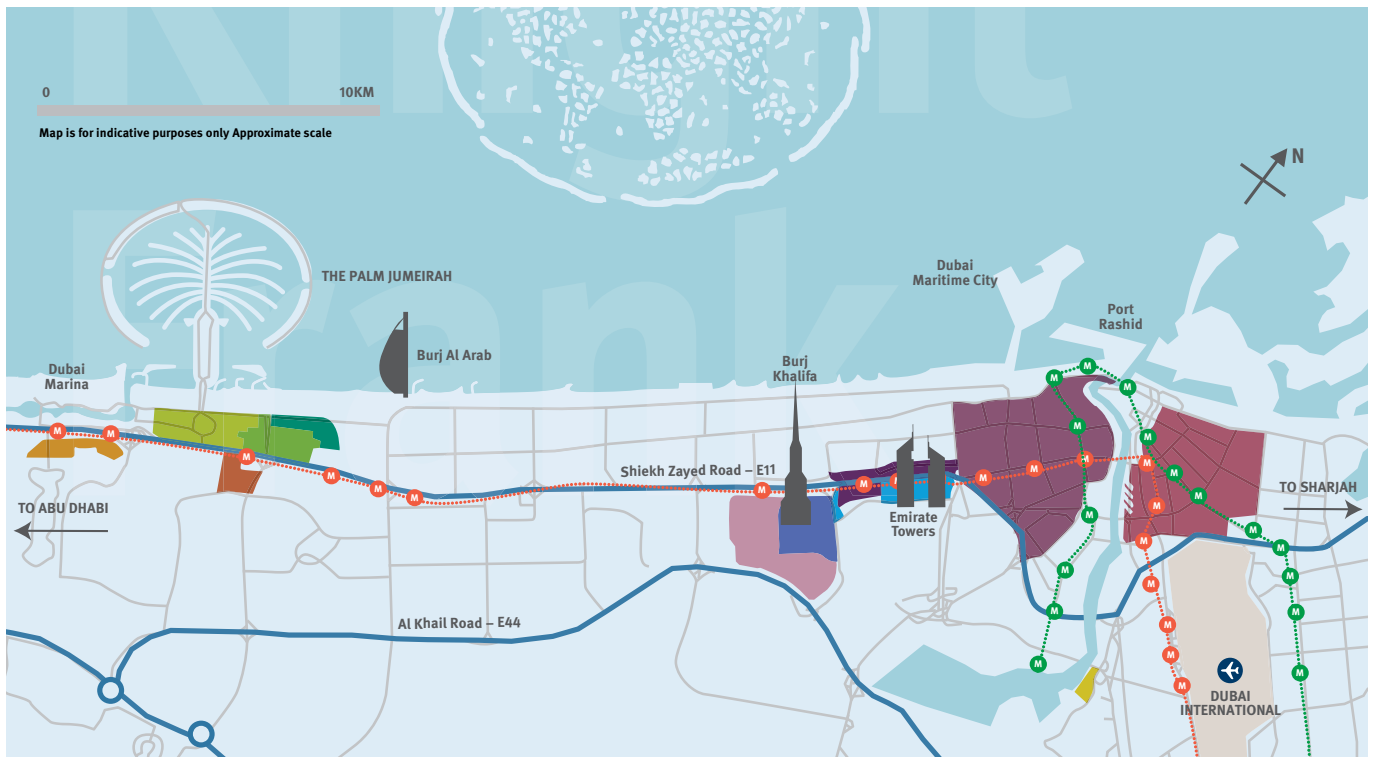
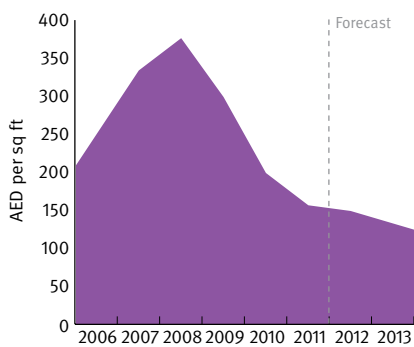


Figure 6  
Average rents (per sq ft) for fitted offices in Dubai



Source: Knight Frank



Emaar Business Park where single ownership, high quality management and generous car parking ratios have proved successful

Table 1  
Indicative rents by district

	Indicative rent for fitted accommodation	Trending
Sheikh Zayed Road	100*	▼
Emaar Square / Downtown	160*	▼
Dubai International Financial Centre	280*	▶
Internet City	160	▼
Media City	160	▼
Knowledge Village	160	▼
TECOM C	70	▼
Jumeirah Lake Towers	70	▼
Business Bay	65	▼
Deira	100	▼
Bur Dubai / Oud Metha	80	▼
Festival City	100	▼

\*net of service charges, as dictated in the market all other figures include service charge

## FREEZONE VIEW

- The benefits of being 100% foreign owned and controlled in an industry cluster, with zero taxation continues to be of major attraction to international occupiers.
- The regional geo-political turbulence has resulted in freezones being the preferred business locations of regional institutional businesses.



## Americas

USA  
Bermuda  
Brazil  
Canada  
Caribbean  
Chile

## Australasia

Australia  
New Zealand

## Europe

UK  
Belgium  
Czech Republic  
France  
Germany  
Hungary  
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  
Thailand  
Vietnam

## The Gulf

Abu Dhabi, UAE  
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Dubai, UAE

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## 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

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