



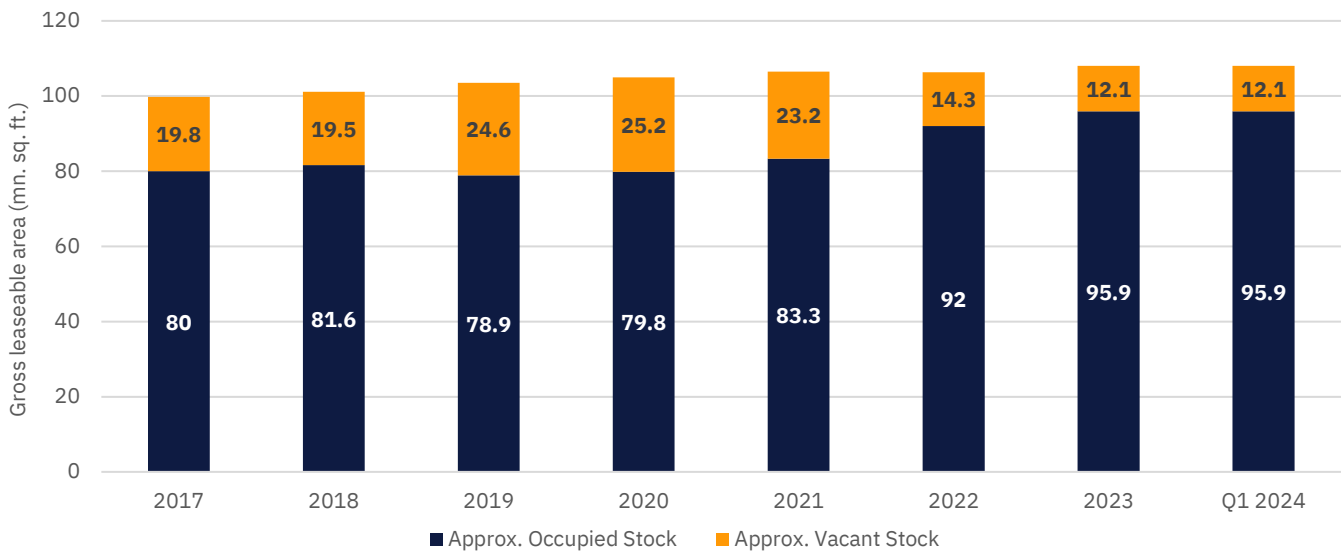
Dubai office sector review

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The UAE has emerged as a preferred destination for corporate occupiers to expand their office footprint. As a gateway city to the region, the bulk of this occupier demand has been concentrated in Dubai. Along with other locations in the region such as Abu Dhabi and Riyadh, Dubai has defied the global slump in office activity seen over the past few years.

Globally, a shift in working patterns brought on by the Covid-19 pandemic has made corporate occupiers rethink their office space requirements. However, this trend is not uniform across geographies and various cultural and socio-economic nuances have influenced demand for office space. For instance, office occupancy levels across most Westerns countries are yet to return to pre-pandemic levels, however, demand across Asian cities have seen a steady increase and, in some cases, have surpassed their pre-pandemic average.

Average office occupancy levels



Source: Cushman & Wakefield Core Research, Emirates NBD Research

In the region, Dubai was at the forefront of a rebound in occupier demand after lock-down restrictions were lifted. This trend has persisted with most Grade A space across the city currently operating at 95% or more occupancy levels. This is in sharp contrast to the pre-pandemic trends when demand levels were low



and various lease incentives such as extended rent-free-periods, additional car parks and contribution towards fit-outs were offered by landlords.

Demand has gradually picked-up over the last few years, initially driven by consolidation and relocation activity of existing corporate occupiers from multiple smaller office spaces to one central location. However, the city's relatively cost-effective Grade A offering and a rebound in economic and tourism activity, driven by prudent government policies has positioned Dubai as a viable alternative for global corporates looking at expanding their office footprint and future-proofing their real estate portfolio in a region which is primed for sustained economic growth. Even though Dubai's PMI has slipped to 54.3 in June compared with an average of 57.7 over the first quarter, firms expanded headcount more rapidly than over the previous two months to cope with ongoing growth in business. This has led to an increase in demand for office space. Most of this demand is observed for Grade A developments.

Leasing activity during Q2 2024 has been driven by a mix of expansion activity by existing corporate occupiers and new market entrants. Corporate optimism remains high across the city as implied by PMI data. Demand was observed from Indian corporates, companies from Europe and tech firms from China. There has also been a surge in demand from banking and financial services (BFSI) related firms, especially hedge funds that have significantly expanded in the region. The Dubai International Financial Center (DIFC) is the preferred freezone for BFSI companies. The micro-market recorded 1,451 new company registrations in 2023, growing by 34% y-o-y. However, as occupancy levels in the micro-market are currently averaging at 95%, there has been a spillover in demand to the Abu Dhabi Global Markets (ADGM). Across other micro-markets, activity levels remained strong across Dubai World Trade Central (DWTC), Dubai Internet City and Media City.

Pre-committing space across under construction projects has increased across most micro-markets. While it is quite common in more mature office markets globally, it has only recently been observed across the office landscape in Dubai, an indication of long-term corporate interest in the city.

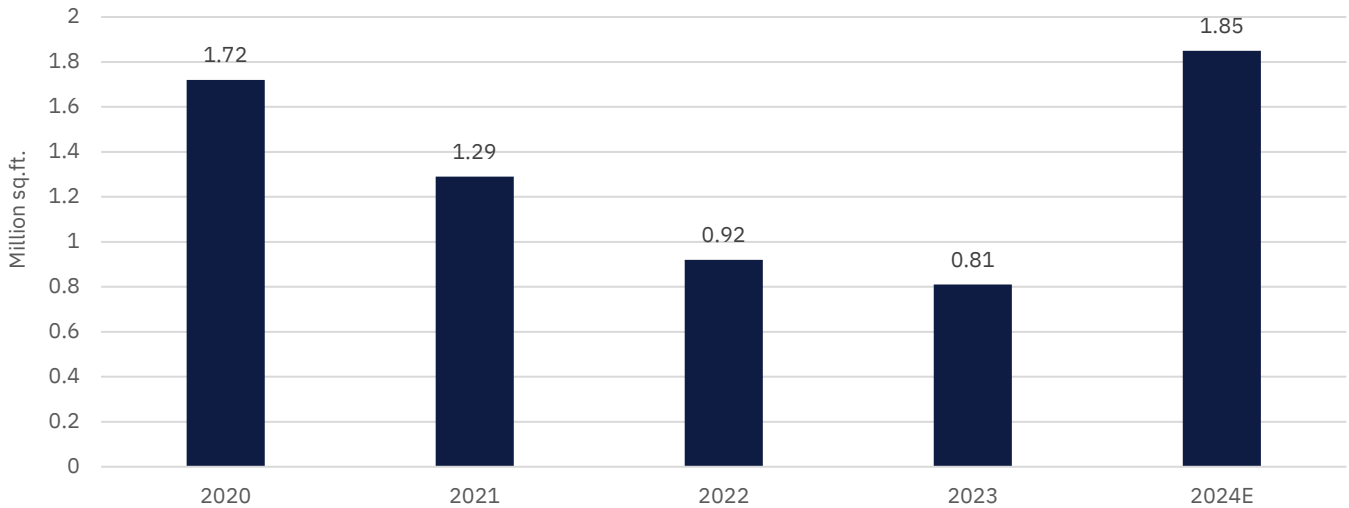
Increase in launch of new supply.

To meet the growing demand for Grade A office space, new project launches have increased. The DIFC micro-market has witnessed two new project additions over the last six months with the launch of DIFC Square and Immersive Tower. With more than a million sq. ft. of built-up area, the DIFC Square will offer 600,000 sq. ft. of Grade A office space along with retail. This is in addition to the approx. 630,000 sq. ft. of office space introduced by DIFC in May with the launch of Immersive Tower. The mixed-use development also includes 114,000 sq. ft. of



retail and approx. 7,400 sq. ft. of space for other amenities. Together, these projects alone will add 1.2 million sq. ft. of Grade A space to the city over the next few years.

New office supply addition



Source: Cushman & Wakefield Core Research, Emirates NBD Research

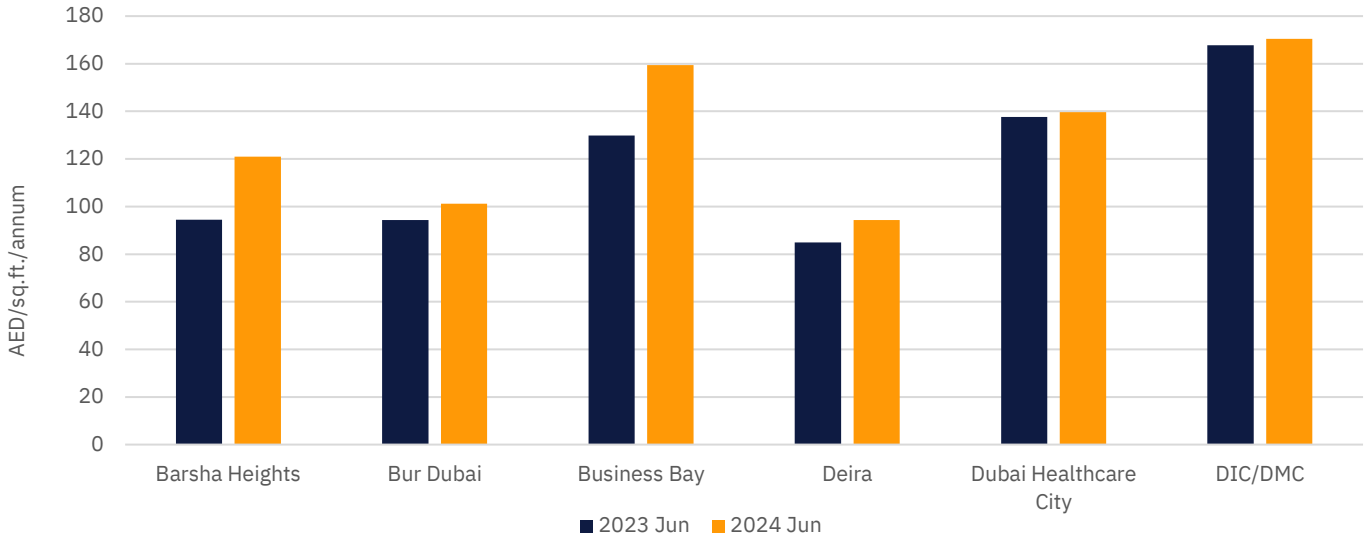
Rental increase observed across most markets.

The landlord-favored market has led to an increase in rental values across most office districts in the city. A few markets and developments, especially single landlord owned projects, have seen the highest increase in rents. Rents for new leases across Business Bay have increased by 23% y/y in Q2 2024, and they have gone-up by 11% y/y across Deira. Rent increases across Dubai Internet and Media City have been more modest at an average 2% y/y last quarter.

A similar increase in sales prices have also been observed across the strata-sold office developments. Business Bay, which has the majority of such stock in the city, has been at the forefront of this capital value increase. On average, prices across developments such as Bay Square in Business Bay have increased by 33% y/y and currently average AED 2,000 / sq. ft.



Grade A rental trend



Source: Reidin, Emirates NBD Research

Globally, landlords have to work harder to attract and retain tenants, which has resulted in an increase in incentives and concessions, as per Savills. However, demand for good quality space continues to drive demand for prime office space. At a global comparison, Dubai was among the few cities to witness a q/q rise in rental values in Q1. Despite the sustained increase in office rents across the city, at an average rent of USD 128 / sq.ft./annum for top Grade A developments, Dubai stands out as an attractive office market for corporate occupiers.

Prime office rents

City	Net effective cost to occupier (USD annual sq. ft.)	Q1 2024 (q/q change (%))
London (West End)	283.57	4.2
Hong Kong	230.93	-1
New York (Midtown)	202.72	3.7
London (City)	168.07	0
Tokyo	155.79	0
Zurich	148.34	-0.07
Singapore	145.58	0.2
Dubai	127.71	3.1
Beijing	122.23	-2.6
Paris	120.61	2.7

Source: Savills, Note: Quarterly change is based on a fixed exchange rate to USD

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