

# Abu Dhabi Office Market



## QUARTERLY MARKET INDICATORS



DEMAND



VACANCY



NEW SUPPLY



MARKET SENTIMENT

Abu Dhabi experienced steady economic growth in 2023, largely due to the expansion of non-oil activities. The non-oil GDP of Abu Dhabi increased by 7.7% in the third quarter of 2023, accounting for 52.8% of the total economy, as per the latest reports from the Statistics Centre - Abu Dhabi (SCAD). The real GDP grew by 2.8%, and non-oil activities expanded by 8.6% in the first nine months of 2023. Manufacturing and construction activities were the key contributors to the non-oil GDP in 2023, contributing over 17% and 16.3%, respectively. This points towards the growing engagement of the private sector, rising business confidence, and foreign direct investment.

The rising business confidence continues to draw investors and foreign professionals to the Emirate, leading to increased demand for commercial office space. The prominent Grade A office assets like ADGM, and the International Tower, are operating at around 95% occupancy. ADGM posted 32% growth in the number of operational firms and a 22% increase in workforce in 2023, clearly indicating the growing demand for office spaces in Abu Dhabi.

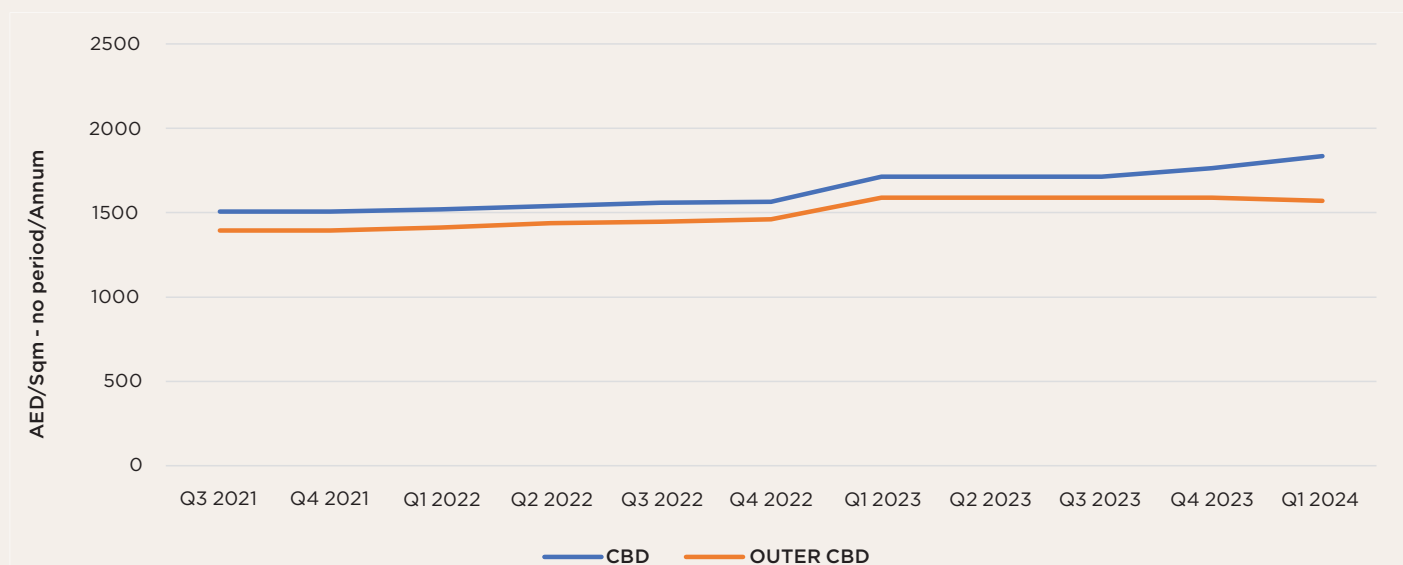
The demand for office space is driven by established locations such as Maryah Island, the Capital Centre, Masdar City, and Al Raha. The traction in these locations can be primarily attributed to the better connectivity compared to other micro-markets, higher build quality, limited availability, and concentration of well-laid infrastructure, whilst in terms of the occupier sector, government and semi-government, engineering and consulting, and BFSI firms led the demand. Companies favouring high-performing assets at lower rental rates are fuelling the demand for Grade B properties in areas such as Corniche, Khalidiya, and Abu Dhabi Downtown. The demand for Grade B buildings varies based on factors such as building condition, available amenities, and parking options.

The leasing activity is led by the influx of new entrants to the market as well as the expansion of existing companies. Morgan Stanley, Korea's H2O, and Infiniti Capital are among the major firms that took up space during Q1 2024. To support the growth of its financial sector, in May 2023, the government announced a tenfold expansion of the financial free zone's jurisdiction by adding Reem Island to the existing jurisdiction, expanding its area to about 1,438 hectares.

The dearth of Grade A assets is the biggest challenge for the office market in the capital. However, the city has over 90,000 sqm in the pipeline till 2026 from prominent developers across projects like The Link Masdar City, Masdar City Square, and the HB Office Tower from Aldar. Aldar has announced the expansion of the ADGM office tower following the expansion to Al Reem Island, and a new business park in Saadiyat Island, which are due to be completed by 2027, to tap into the growing demand for prime Grade A office spaces. Most of these upcoming projects have recorded healthy pre-commitment rates due to the high demand.

The growing demand, coupled with the limited availability of prime Grade A commercial office spaces, has led to an overall spike in rentals across most micro-markets. The overall rentals grew by 1% q-o-q. However, a select few assets command a premium over the others owing to their location and accessibility. On yearly analysis, CBD recorded a 7% rise in rentals in Q1 2024, which houses major office towers such as Etihad Tower, ADGM, and the WTC Office Tower. Presently, ADGM quotes the highest rentals in the market, which is around 2,600 AED/Sqm with a 30% rental growth y-o-y.

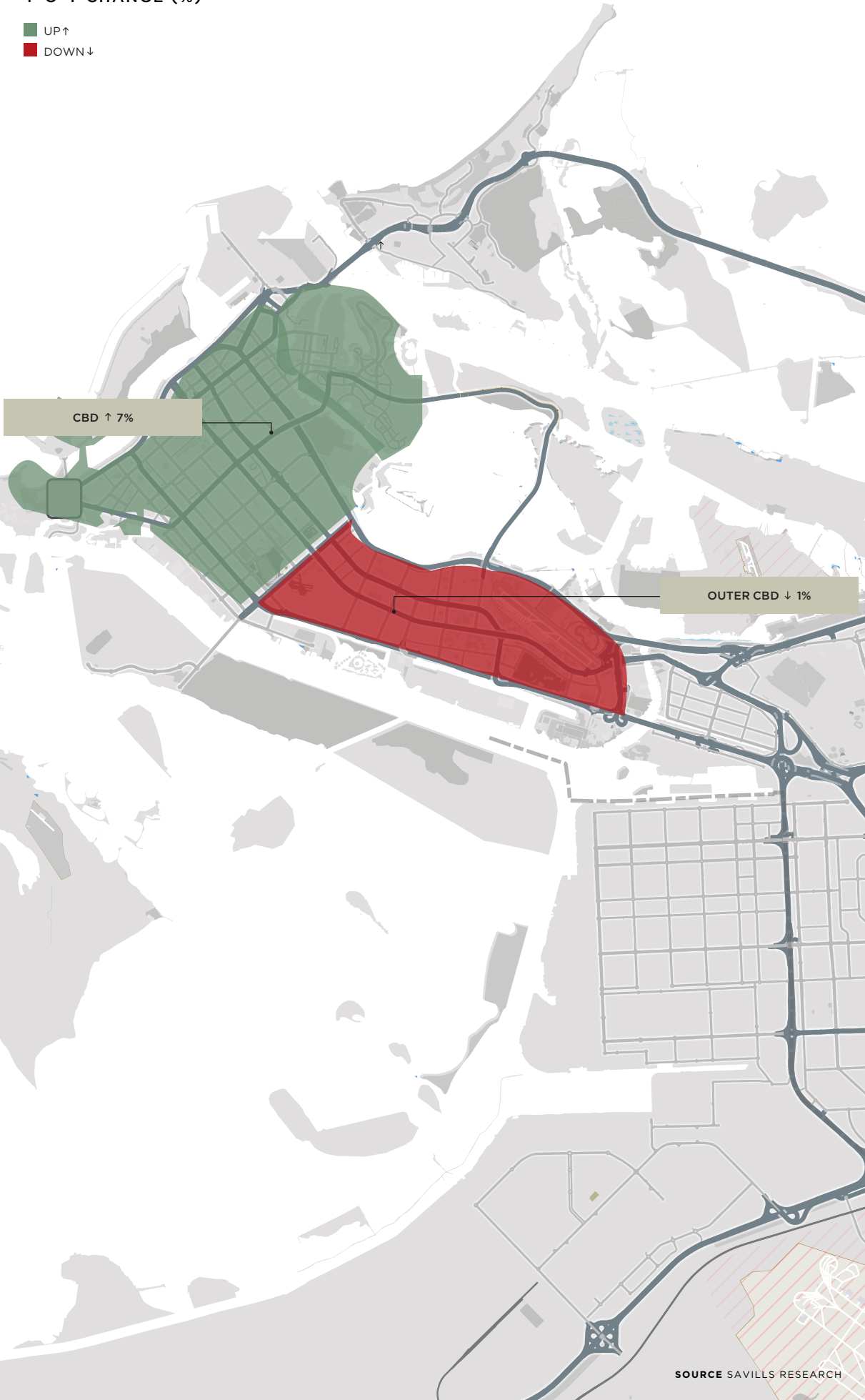
## GRADE A RENTAL TREND - Q1 2024



**ABU DHABI MAP WITH PRICE INDICATORS**  
Q1 2024-YOY

**Y-O-Y CHANGE (%)**

- UP ↑
- DOWN ↓



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