

Dubai Office Market



QUARTERLY MARKET INDICATORS



DEMAND



VACANCY



NEW SUPPLY



MARKET SENTIMENT

Dubai continues to strengthen its position as a premier global destination for trade, business, and investment in Q3 2024, in alignment with the Dubai Economic Agenda (D33). The commercial office sector is experiencing dynamic growth, driven by an influx of new market entrants and the expansion of established firms. This trend is reflected in the latest report from The Dubai Chamber of Commerce, which highlights a significant rise in business registrations. Over 34,075 new companies were added, indicating a 5% year-on-year growth compared to the first half of 2023. This increase highlights the growing attractiveness of Dubai's economic landscape and competitive business environment.

The dynamic growth of Dubai's commercial real estate market and the resulting demand is causing a further strain on supply, with the office market already witnessing low vacancy levels. Leasing transaction volumes have seen a 4% increase compared to the previous year, reflecting heightened market activity.

Recent trends in office leasing reveal a shift towards more sustainable and adaptable workspaces. Following the pandemic, companies are increasingly prioritising green lease clauses and environmental, social, and governance (ESG) compliance during leasing activity. There is a notable emphasis on utility management to meet the internal sustainability goals that these offices have set. Additionally, businesses are investing in amenities such as fitness centres, smart parking systems, and diverse food and beverage options to enhance overall employee satisfaction.

To support hybrid working arrangements, businesses are reassessing their real estate needs, leading the demand for collaborative spaces. This shift is driving the design of open-plan work areas and flexible work environments, moving away from conventional desk setups. In response to this evolving demand, flexible workspace providers such as Executive Centre, Regus, and Cloud Spaces are broadening their presence in Dubai. These co-working facilities are particularly appealing to new market entrants and startups, as they require office space to obtain a trade license and immediate operational capabilities. The flexibility and scalability offered by these spaces provide an attractive alternative to conventional offices.

Savills has observed a substantial uptick in space uptake during Q3 2024, particularly from sectors such as banking and financial services including hedge funds, wealth management, insurance; and Technology, Media, and Telecommunications (TMT). Notable companies like Investec, Cregis, TENTEN Partners, and Amrop have established their presence in Dubai during this period.

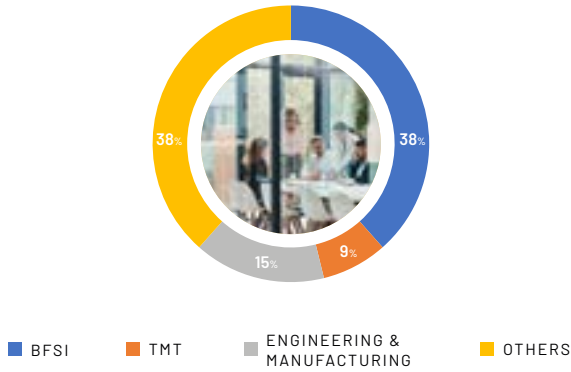
According to the Dubai Chamber of Commerce, the sectoral distribution of new member companies joining the chamber's membership in the first half of 2024 was the real estate, renting, and business services sector, which accounted for 33.6%. This was followed by the construction sector at 9.4%, the transport, storage, and communications sector at 8.4%, and the social and personal services sector at 6.6%. Dubai Chamber of Commerce also highlights a notable influx of companies into the emirate from Asia, particularly from countries such as India, Pakistan, Bangladesh, and China, recording 7,860 new members in H1 2024.

In terms of popular areas, key submarkets like DIFC, Downtown, and Business Bay are witnessing occupancy rates ranging from 95-97% in Q3 2024. This heightened demand, coupled with limited availability, has resulted in a notable 21% year-on-year increase in rents in DIFC, with some premium properties seeing rental hikes approaching 25%. Additionally, Expo City is emerging as an attractive option due to its competitive pricing, accessibility, and high-quality offerings.

Average rental values for Grade A space across the Dubai have surged by 25% year-on-year. Specific submarkets such as Business Bay and Downtown which are predominantly strata-owned have experienced even more significant increase of 44% and 36%, respectively. This trend indicates how private landlords are leveraging high demand to maximise their returns. In some areas, landlords have begun implementing increased annual rental escalations to mitigate potential losses from rental caps under RERA, at the risk of shorter lease terms. Interestingly, tertiary submarkets like Dubai Investments Park (DIP) and Dubai Science Park have also recorded strong rental escalations.

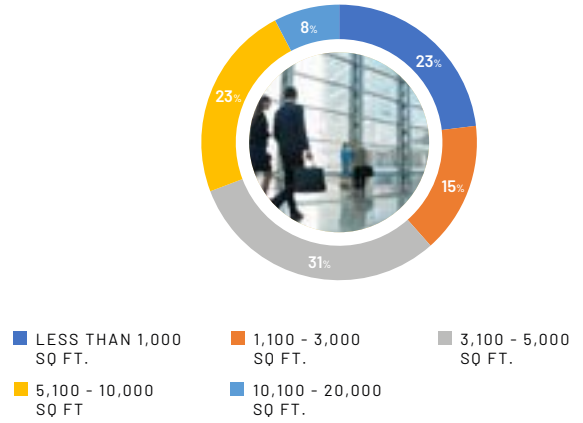
Developers are recalibrating their strategies to address the burgeoning demand for commercial real estate, with an anticipated delivery of approximately 10 million square feet of Grade A office space expected by Q4 2028, with 85% of this new supply concentrated in free zones. However, the ongoing supply constraints in onshore areas may continue to exert upward pressure on rents in select submarkets. Notable upcoming developments include Immersive Tower and DIFC Square in DIFC, along with Sweid One from Sweid & Sweid in JLT. The influx of new supply in these areas may help alleviate rental pressures and encourage occupiers to explore higher-quality options within their respective markets.

SECTOR LEVEL SPLIT OF INQUIRIES Q3 2024



SOURCE SAVILLS RESEARCH

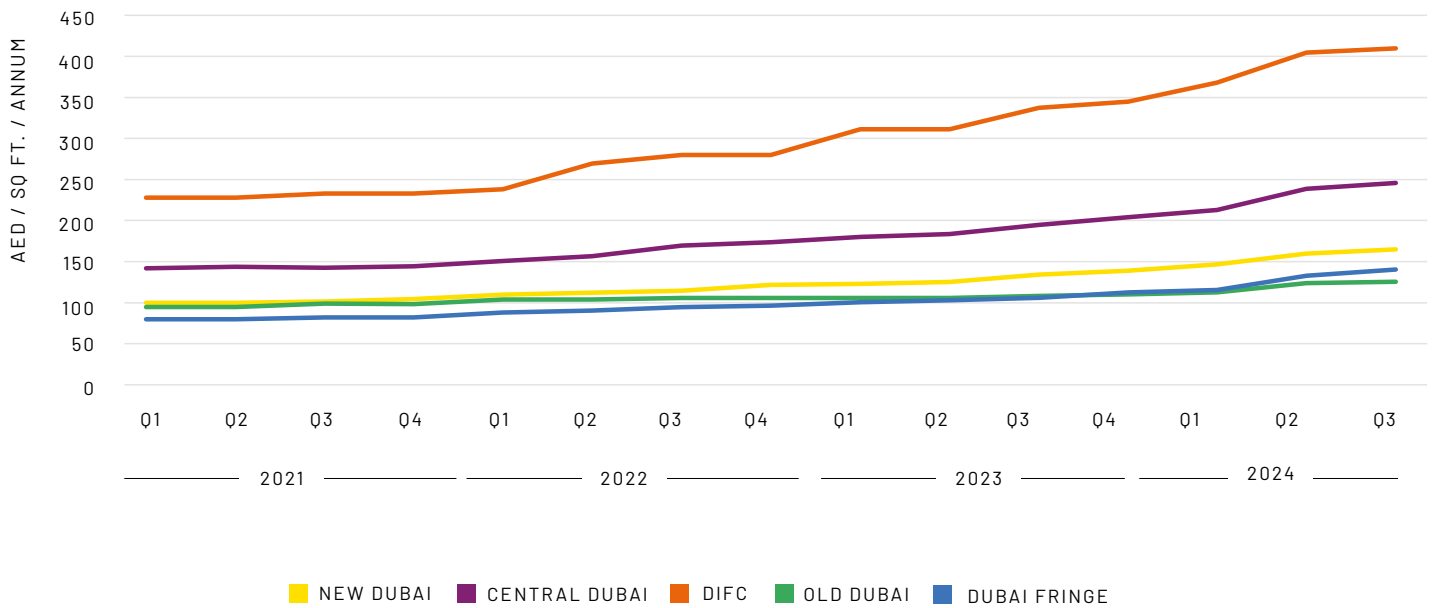
AVERAGE INQUIRY SIZE Q3 2024



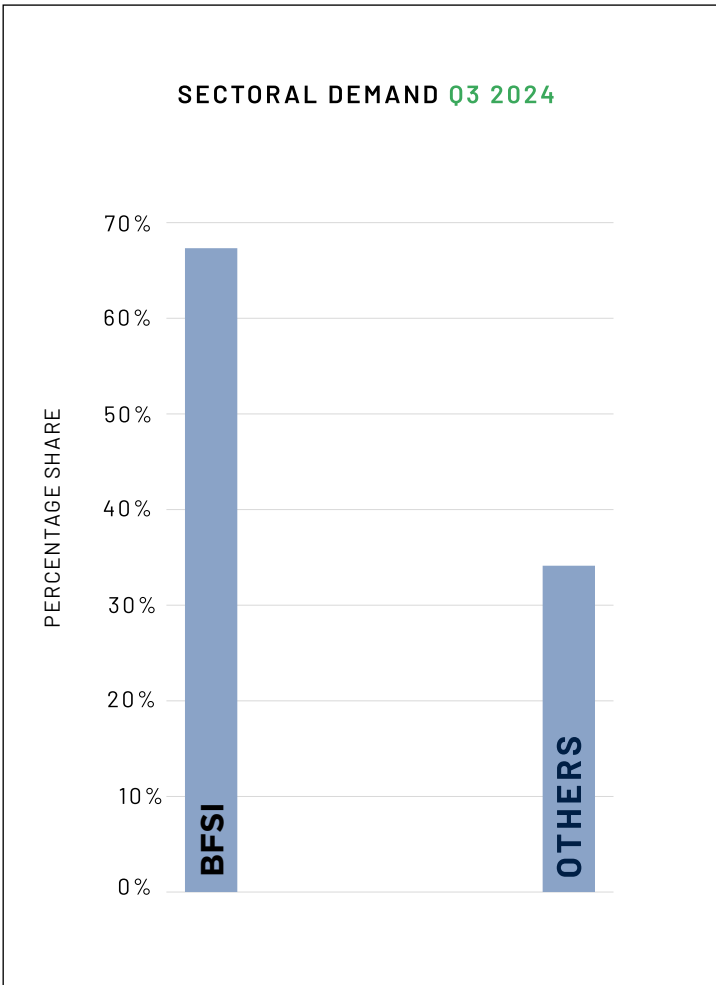
SOURCE SAVILLS RESEARCH

“The market dynamics were largely influenced by new companies entering the market and existing ones expanding their operations.”

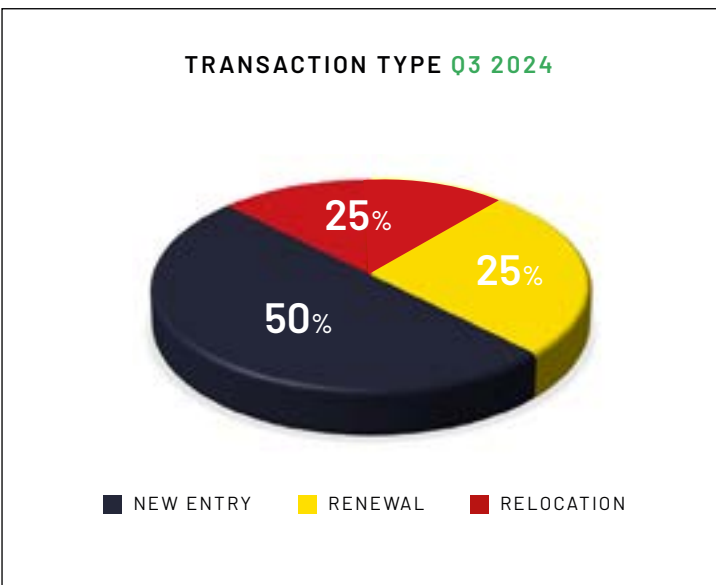
RENTAL TREND Q3 2024



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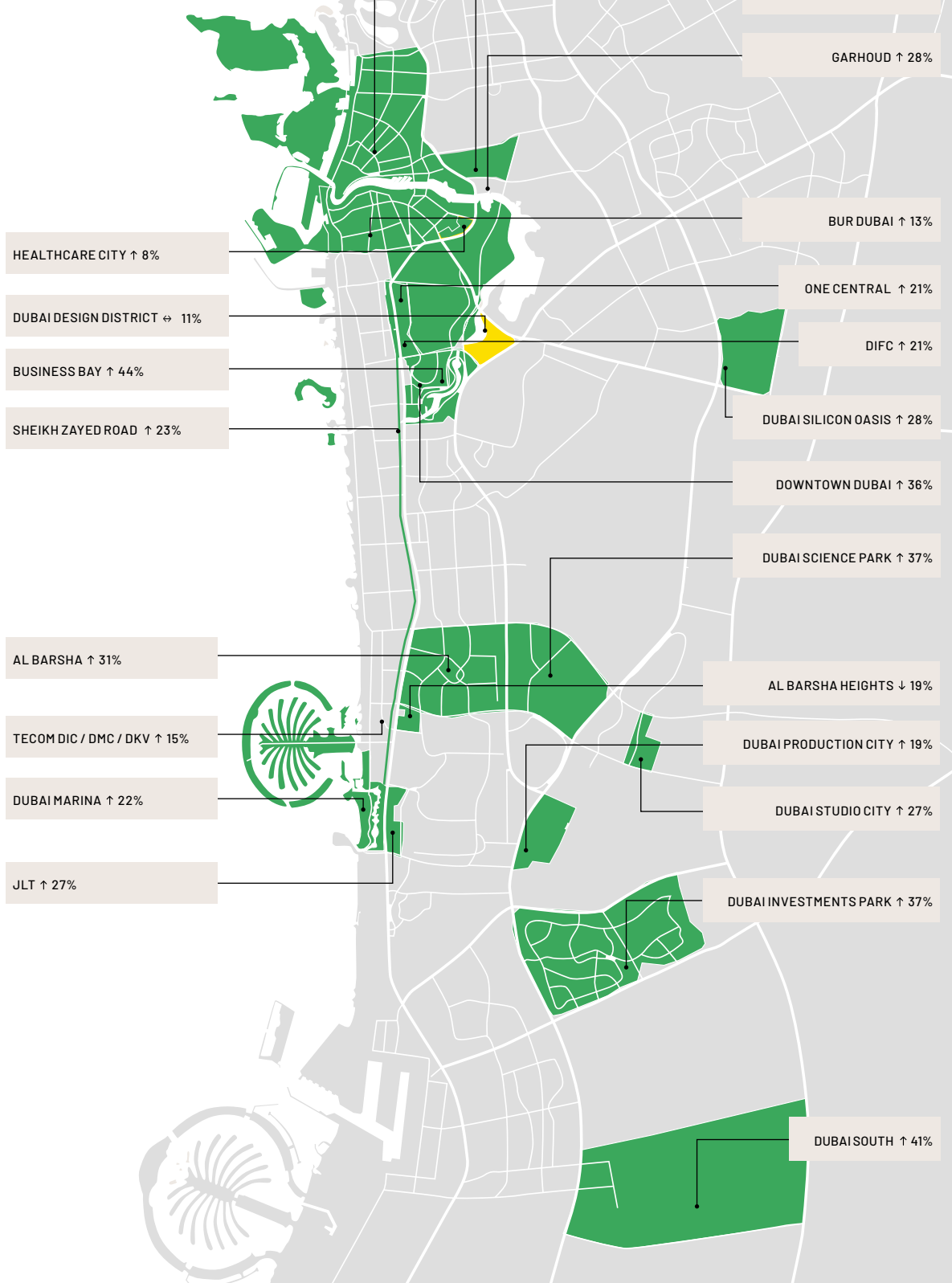
SOURCE SAVILLS RESEARCH



DUBAI MAP WITH PRICE INDICATORS Q3 2024 YOY

Y-O-Y CHANGE (%)

UP ↑
STABLE ↔



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