MARKET IN MINUTES

Savills Research

UAE COMMERCIAL — H1 2022

Dubai Office Market

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- Dubai's office sector has remained resilient over the first half of 2022, displaying strong demand for Grade A office space. The sustained growth in leasing activity has led to a sharp drop in vacancy levels across Grade A assets in the city. Occupier demand has been strong on the back of a buoyant local economy where companies are crystallising their expansion plans, and amid an influx of senior executives, business owners and High Net-worth Individuals (HNIs).
- Demand for flexible space options such as serviced office and co-working spaces has grown as a result of companies looking to reduce their capex spending and also due to new market entrants looking to set up operations in the city. Flexible space options give the opportunity to accommodate rapid business growth whereas committing to a long-term lease may risk occupiers outgrowing the space before the end of the lease. As a result, most of the prominent flexible space operators across the city are recording high occupancy levels, with a few players reporting 100% occupancy and charting plans to further expand offerings across Dubai. This bodes well for the overall office sector as landlords benefit from high occupancy levels from flexible space operators in addition to conventional office occupiers, and clients can opt for fully furnished, ready-to-move-in space.
- Further diversification of the economy and emergence of new sectors such as virtual assets are contributing to the expanding occupier profile. The agreement between The Securities and Commodities Authority (SCA) and the Dubai World Trade Centre Authority (DWTCA) in Q3 2021 supporting the regulation, offering, issuance, listing and trading of cryptocurrency assets and related financial activities within DWTCA's free zone has led to an uptick in demand from the sector. As a result of this agreement and a general uptick in demand, vacancy rates across DWTC office buildings as of H1 2022 was less than 15%.
- Amid a flight-to-quality, a general shift in occupier preference towards Grade A space continues, driven by an increased focus on ESG compliance and right-sizing of existing real estate footprint for cost and operational efficiency.
- The bulk of the leasing activity during the first six months of 2022 was observed across sub-markets such as DIFC, DWTC, DMCC, Dubai Media City and Dubai Internet City. Relocation and consolidation continue to be the twin drivers of demand during H1 2022.
- As a result of increased occupancy levels across prominent Grade A developments in Dubai, rental values have increased by an average 10% compared to H2 2021 and by circa 13% y-o-y. Rental growth was strong across Grade A developments in DIFC and One Central, as rents grew by an average 15% compared to H2 2021. Other key markets to witness strong rental growth during H1 2022 were JLT, Business Bay, Dubai Design District, and Grade A developments across Dubai South.

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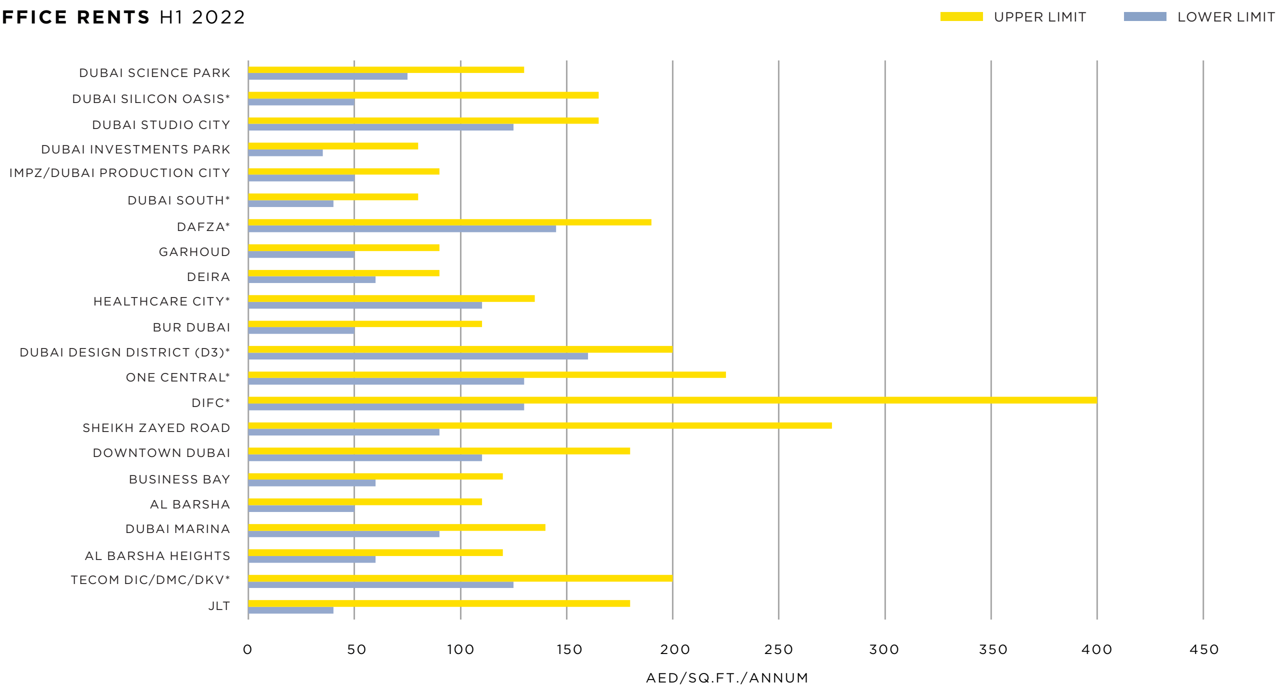
DUBAI OFFICE RENTS H1 2022



*FREE ZONE

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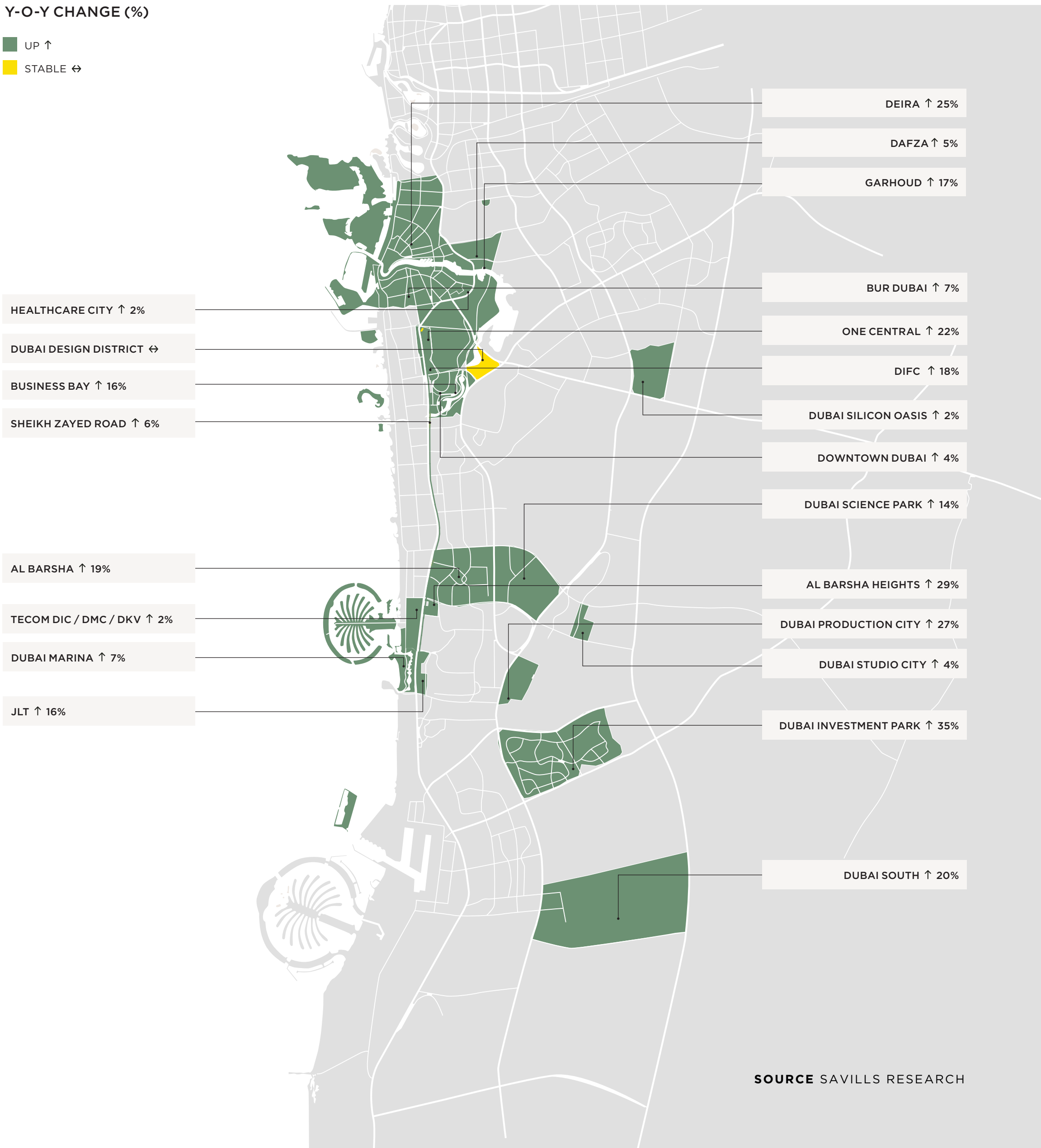

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