

Results 2023

# Office market

UAE | Dubai

## Lease

Compared to 2018, there has been a multiple increase in demand (more than tripling) for new office space. This demonstrates the Emirate's attractiveness for doing business, and there are several reasons for this dynamic. Firstly, a large share of demand is backed by the influx of companies from the US, Europe and Asia (particularly India and China), as the Emirate is seen as a strategic location that enables companies to strengthen their presence in the rapidly developing Gulf market with affordable office rents (vis-a-vis other global centers). Secondly, Dubai's geographical location allows employees to work comfortably with partners from different time zones. Thirdly, Dubai has recently been developing as one of the key global business hubs.

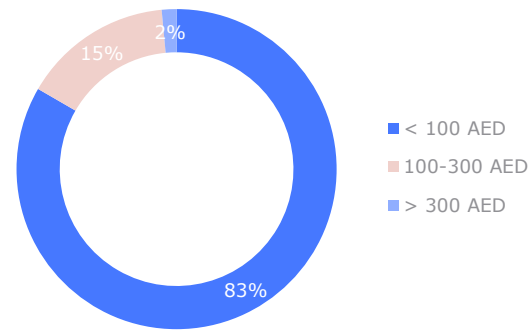
In 2023, we saw 144,507 deals signed, of which 73% (105,110 deals) were new leases and 27% (39,397 deals) were renewals of existing leases. This compares to 36% fewer deals in 2022 cumulatively.

Some of the most developed and sought-after business districts in the Emirate are Business Bay, Downtown Dubai, Jumeirah Lake Towers (JLT), Trade Center 1, Trade Center 2 and Barsha Heights. The supply of offices in these locations

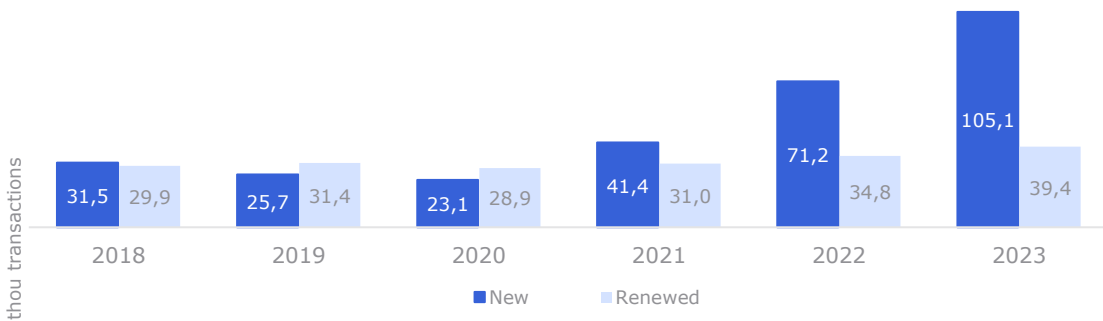
is limited, therefore rental rates are high and growing fast. As of the end of 2023, the weighted average rental rate\* in these zones amounted to 129 AED/sq ft/year (378 USD/sq m/year) for new contracts and 95 AED/sq ft/year (278 USD/sq m/year) for renewed ones. Since 2020 the rates have grown by 1.5-1.8 times on average and last year they reached 400-600 AED/sq ft/year (1172-1759 USD/sq m) in some facilities.

Transactions with office premises in the above-mentioned zones account for about 20% of the total demand in the Emirate (new transactions excluding lease extensions).

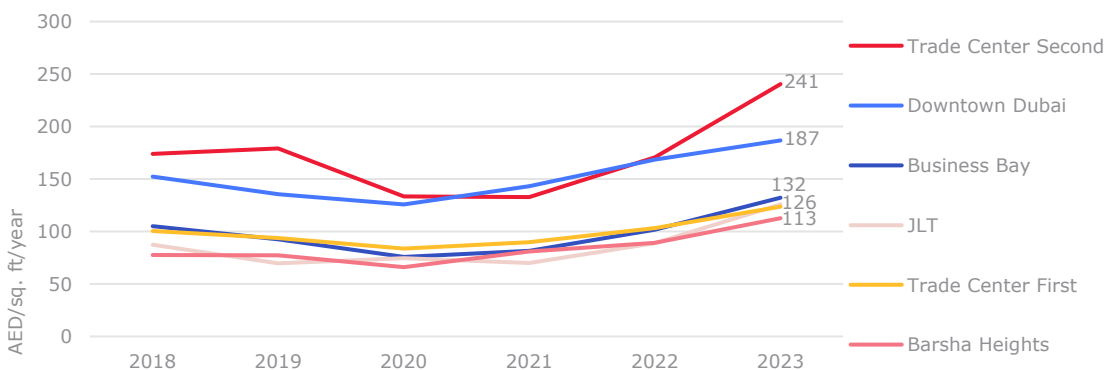
**Chart 1**  
Transaction structure (in pcs.) for new leases in 2023 by weighted average rates per 1 sq ft/year



**Chart 2**  
Lease volume dynamics



**Chart 3**  
Dynamics of the weighted average rate on new leases in most developed and in-demand business areas of Dubai



Source: REIDIN, Nikoliers

\* The weighted average rental rate is calculated as a ratio of the sum office rental prices to the total sum of office area.

## Supply and occupancy rate

As of the end of 2023, the office space in Dubai totaled to about 125.26 million sq ft (11.64 million sq m), with leasable area alone taken into account. Under construction and scheduled to be completed between 2024 and 2026 are 2.75 million sq ft (255,790 sq m) of office space.

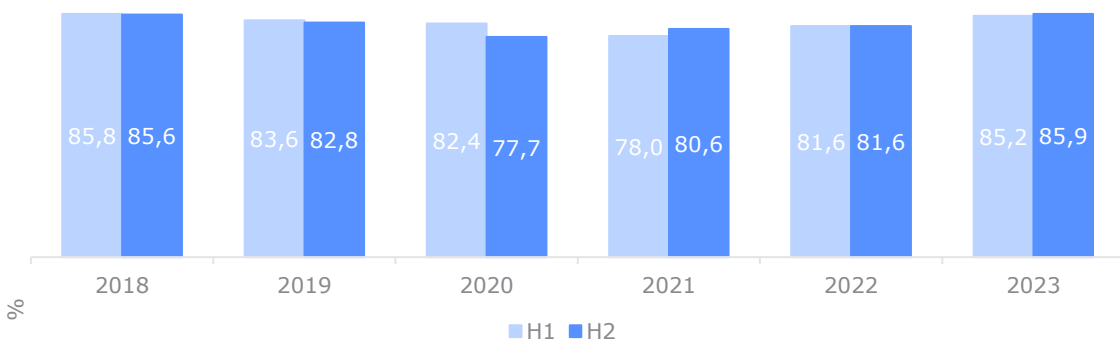
Over the last three years, the office occupancy rate has increased by 8.2 p.p., from 77.7%

in H2 2020 to 85.9% in H2 2023. Compared to 2022, this indicator has grown by 4.3 p.p. The occupancy rate in Dubai’s office real estate market has already exceeded the pre-Covid level.

Office vacancy rates in the “top” areas are at a low level, especially in Al Sufouh, DIFC and Al Garhoud districts.

**Chart 4**

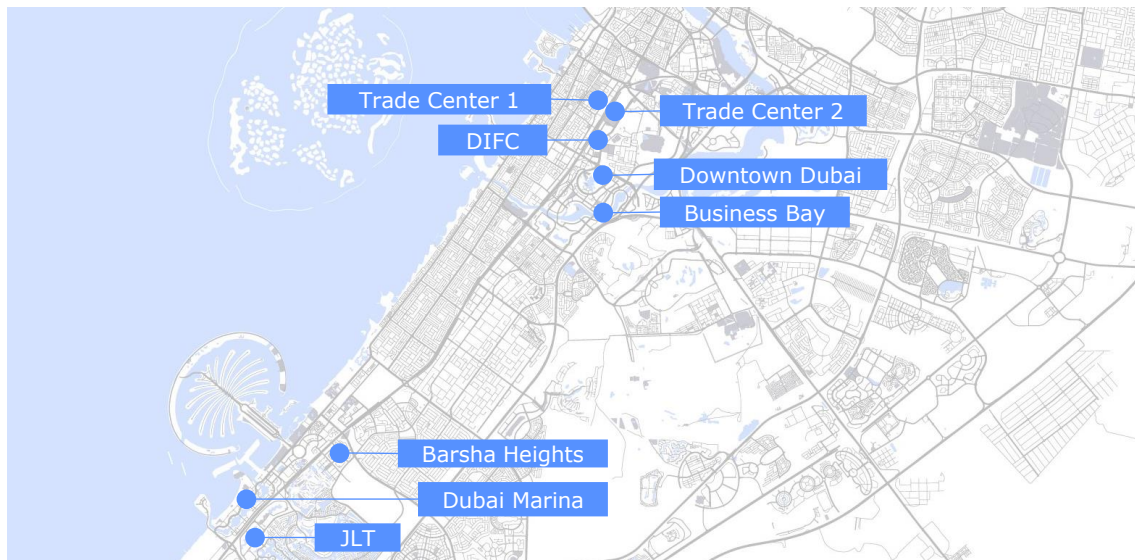
Average offices occupancy rate



**Table 1**

Average office occupancy rate by communities based on the results for H2 2023

Communities	Occupancy rate, %
DIFC	91.8
Trade Center 2	87.6
Dubai Marina	86.7
Downtown Dubai	86.4
JLT	85.3
Barsha Heights	83.8
Trade Center 1	83.3
Business Bay	81.3



Source: REIDIN, Nikoliers

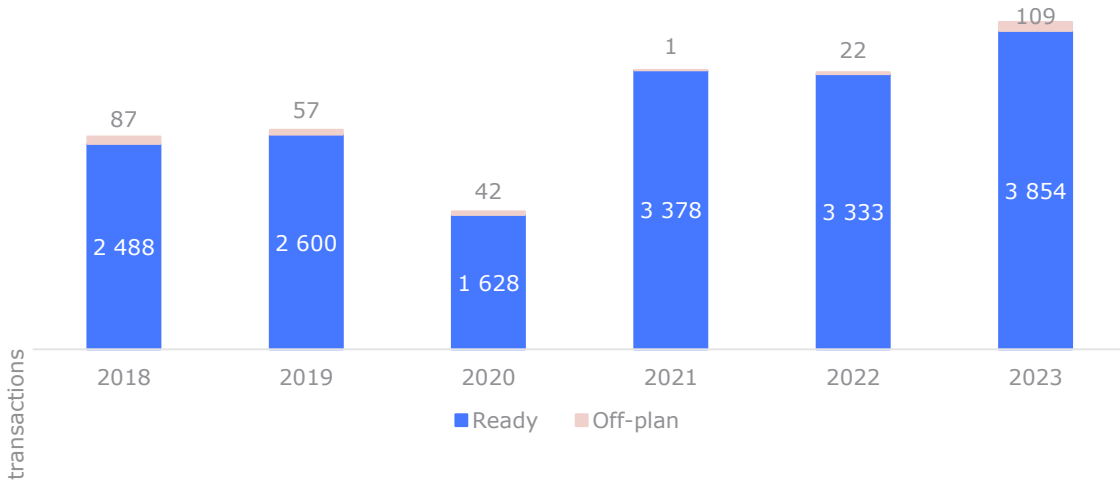
## Buying

In 2023, the largest number of transactions for the purchase of ready office premises (3,854 units) with an aggregate floor area of 5.7 million sq ft (529.5 thousand sq m) was concluded. The total number of deals with offices under construction increased significantly: five times versus 2022. However, compared to transactions with ready offices, their number is way lower due to the limited supply in off-plan projects.

The weighted average sales transaction price for ready offices in Q4 2023 stood at 1,228 AED/sq ft\* (3,600 USD/sq m), which is 9% higher than the result for the same period of 2022. Compared to the minimum recorded during the COVID-19 pandemic (Q2 2020), prices on the office real estate market have increased by 1.7 times on average. However, when compared to the previous peak in Q3 2018, price growth averaged 11%.

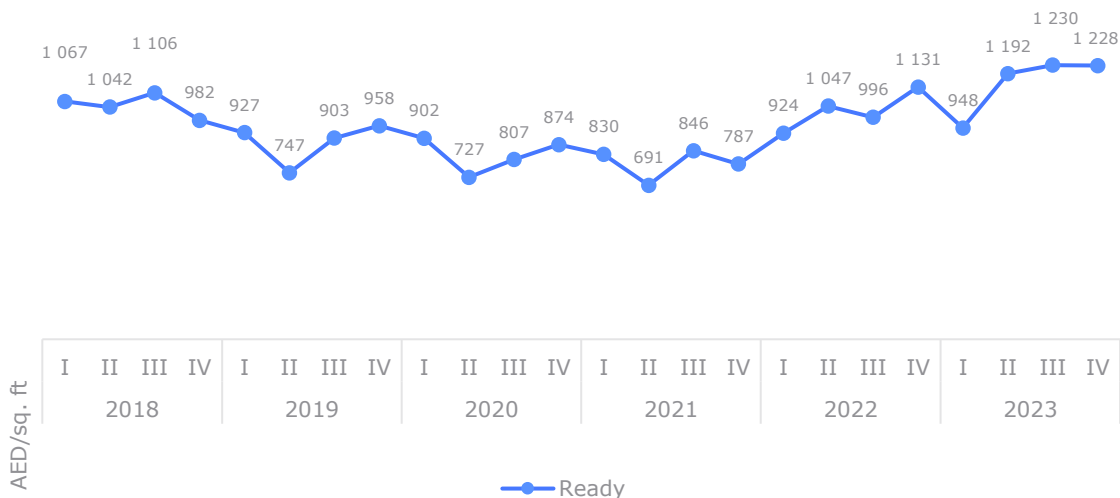
**Chart 5**  
Office sales volume dynamics

Source: REIDIN, Nikoliers



**Chart 6**  
Dynamics of change in weighted average sales transaction price for ready office premises

Source: REIDIN, Nikoliers



\* 1 sq ft = 0.093 sq m, 1 AED = 0.27 USD, 1 AED/sq ft = 2.93 USD/sq m

## New development

New office construction in Dubai has been extremely limited in recent years to mainly single projects in free-trade zones. 6 Falak in Dubai Internet City (195 thousand sq ft) is slated for completion in early 2024, and in late 2025 TECOM's Innovation Hub Phase 2 (355 thousand sq ft) must be completed. Mixed-use building Wasl Tower in the Al Wasl community (190,000 sq ft) is scheduled for completion in 2024.

The plan is to transform the Expo City area into a new free economic zone for local and international companies, which will feature a prime location and a metro station within a walking distance. In addition, a new blue metro line is scheduled to be completed in 2029, which will connect the Emirate's five main districts: Bur Dubai/Deira, Downtown Dubai/Business Bay, Dubai Silicon Oasis, Dubai Marina/JBR and Expo City Dubai. Thus, major companies such as Emirates Airlines, Siemens Energy, Siemens Industrial, Terminus Group and others have already expressed their intentions to open offices in Expo City. DP World has announced plans to relocate its headquarters to a new 400 thousand sq ft.-building in Expo City.

## Trends

Dubai's office market has coped with the consequences of the previous crises and pandemic, achieving a steady growth in occupancy rates across the market as a whole and rental rates in the most sought-after locations. At the same time, developers had long overlooked this segment. As a result, there are very few modern quality office buildings, the main supply consisting of buildings with an average age of 15 years. In the meantime, the planned commissioning of new buildings for the next three years is way behind the burgeoning demand and is mainly concentrated in free economic zones, which creates some obstacles for companies that are primarily interested in offices located in Dubai mainland.

Dubai's geographical location, developed infrastructure, comfortable taxation and access to emerging markets make it an attractive location for investment and business. This is confirmed by the influx of international companies, especially large technology and financial companies, which are looking to develop their presence in the region by opening offices in the Emirate. The growing demand for quality offices and their limited supply along with rising rental rates are creating a favorable environment for the development of office projects in sought-after locations of Dubai.

In addition to the projects mentioned above, DEWA (Dubai Electricity and Water Authority) is building a new headquarters in the Al Jaddaf community for 5 thousand employees. DIFC Expansion 2.0 is at the launching stage; about 13 million sq ft is planned, including housing, stores and chill-out areas. Nearly half of that space will be earmarked for offices. The project is slated for completion by the end of 2026. DMCC also recently unveiled the second phase of the Uptown Dubai project in JLT, which will consist of two office towers with 753 thousand sq ft. of office space. This project must be completed by Q2 2026.

The high demand for office space amid rising rents and sales values in Dubai's top districts is a driver for new development, especially in the mainland.

Return on investment in ready office facilities of Dubai averages 8-9% p.a. depending on the location. For example, such rental yields is typical for Business Bay and JLT districts. As occupancy rates and rental rates in Dubai keep soaring, we expect investments in this segment to grow.

In addition to classic offices, there is high demand for flexible office spaces and serviced offices that provide turnkey high-end solutions for efficient business operations. This format is particularly preferred by companies that are just entering the market. They often need small quality offices, without additional investments and time losses, along with the possibility to expand in accordance with their business needs, in a good location and with all the necessary services. Furthermore, top-class serviced offices partially make up for the obsolescence of office buildings in Dubai and the acute shortage of vacant space in the most modern facilities.

# Services



Office



Industrial



Retail



Residential



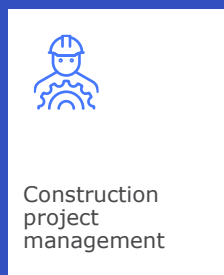
Hotel



Land plots



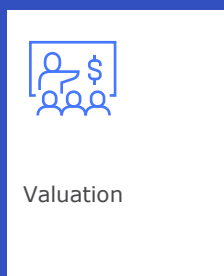
Property management



Construction project management



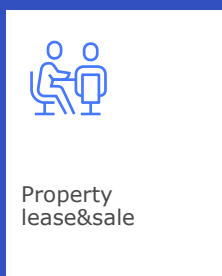
Strategic consulting



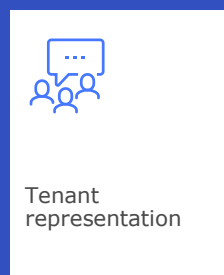
Valuation



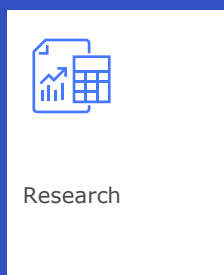
Capital markets



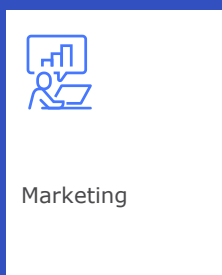
Property lease&sale



Tenant representation



Research



Marketing

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