

2024: Results

Office Estate Market

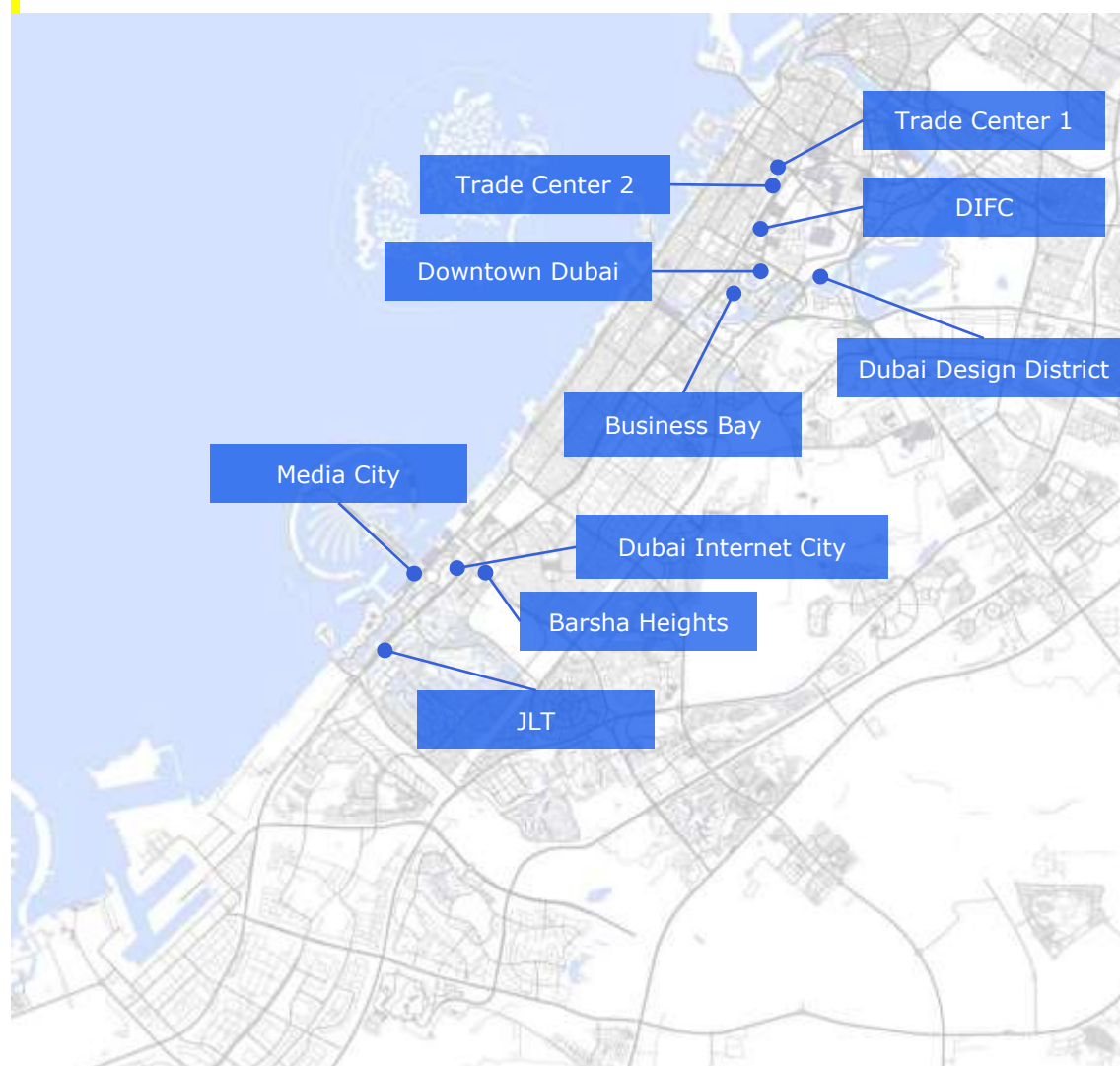
UAE | Dubai

Methodology

Starting in Q4 2024 Nikoliers has been using its own methodology to analyze the office estate market in Dubai, which may result in differences with the indicators published by other companies and sources. The company's reports present a more detailed and in-depth analysis of nine main business districts in the Emirate: Barsha Heights, Business Bay, Downtown Dubai, Dubai Design District, Dubai Internet City, Dubai Media City, Jumeirah Lake Towers (JLT), Trade Center First and Trade Center Second. The given sample does not deny the presence of other business districts in Dubai. Another key business district is Dubai International Financial Centre (DIFC) where a multitude of quality office facilities are available. Yet access to the data on office estate lease and sale in this district is blocked.

We use weighted average rental rates and prices to calculate the amount of transactions from 500 sq ft (46.5 sq m) in the main business districts of Dubai.

Map of key business districts of Dubai

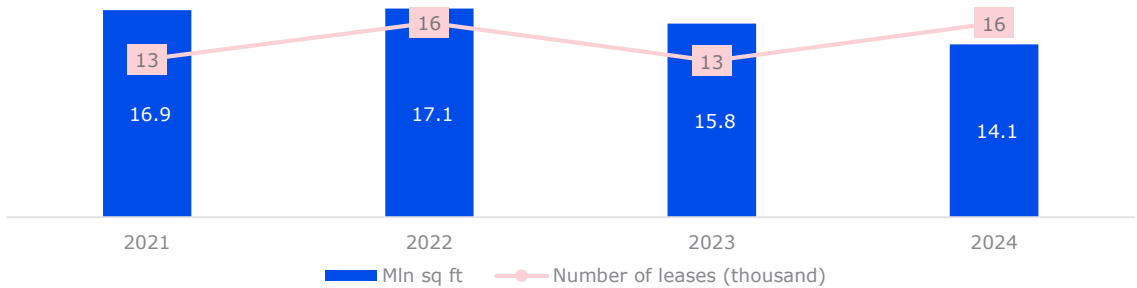


Source: Nikoliers

Lease. Demand

Despite the total increase in the number of new leases that exceeded 16,000 (+24% vs 2023) in the main business districts, the amount of transactions contracted by 11% in square feet versus 2023, which indicates a reduction in the average size of a rented unit.

The amount of transactions with office estate on new leases, 2021-2024



Source: Nikoliers, Reidin

The reduction of the average office space per transaction by 28% in 2024 (vs 2023) can be explained by several reasons: an acute shortage of office space in the Emirate, the lack of new supply on the market, rapid expansion of small businesses in Dubai, which do not need plenty of office space. Therefore, the main activity transpires in smaller office units on offer.

890
sq ft (83 sq m)

Average floor space of newly let premises in 2024
(-28% versus the previous year)



Rental rates

The rental rates kept on growing. In 2024, the weighted average rate on new leases in the main business districts of Dubai rose by 18% (vs 2023).

The highest growth of weighted average rates for new lease agreements took place in districts such as Downtown and Business Bay where the rent growth stood at 43% and 28%, respectively. This can be explained by their fortunate location, high-quality infrastructure, advanced transport accessibility, limited office space supply, as well as by the fact that they are mainland zones, where companies can run their business with a DED license (Dubai Economic Department).

The growth of weighted average rates on new leases in key business districts of Dubai

53%

2024 vs 2021

Source: Nikoliers, Reidin

Weighted average rate on new leases* in the main business districts of Dubai in 2024, AED/sq ft/year

District	AED/sq ft/year	USD/sq m/year
Barsha Heights	110	322
Business Bay	159	466
Downtown Dubai	248	727
Dubai Design District	200	586
Dubai Internet City	150	440
Dubai Media City	163	478
JLT	141	413
Trade Center First	140	410
Trade Center Second	238	697

*Only closed deals were taken into account in our calculation

It should be noted that the rental rates over the year were way lower than the current offers in similar facilities for several reasons: the asked prices are usually slightly higher than the prices of real deals, which can take the rental vacations and other preferences into account. The weighted average rental rates were calculated with reference to transactions concluded from January to December. Yet the rental rates kept on growing throughout 2024: for 12 months the growth was as high as 20%.

The range of the weighted average rate on new leases* in top-quality office facilities

200-350

AED/sq ft/year

**The range varies depending on the district, building's quality and prestige, office space, floor and window views, the quality of fit-out and other characteristics, as well as the specifics of a specific transaction*

**The calculation was based on closed deals*

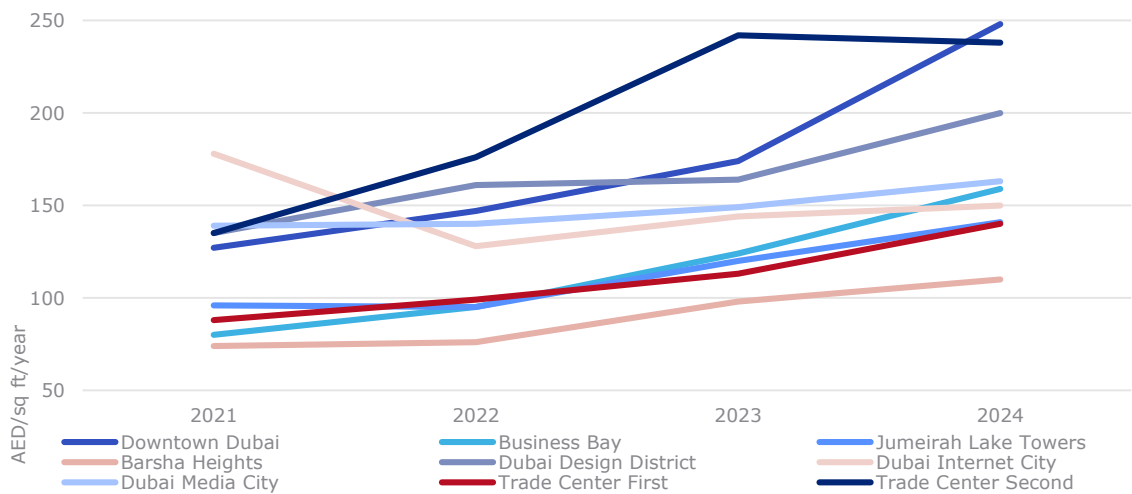
The highest rental rates on new leases in 2024 could be observed in Downtown. The weighted average rental rate for all office facilities amounted to 248 AED/sq ft/year. However, in premium offices with high-quality fit-out (e.g. Boulevard Plaza, Emaar Square) the rental rate could reach 500 AED/sq ft/year (1,466 USD/sq m/year).

A similar trend can be seen in the area of Business Bay, where the rental rates in projects such as Opus Tower and The Binary reached 580 AED/sq ft/year (1,700 USD/sq m/year).

As the weighted average rental rate for new leases in Business Bay keeps rising, the average office space per deal is shrinking. Thus, in 2024 the average rented office space decreased by 30% versus the previous year, which can be explained by the limited supply of traditional office premises in this district. In Downtown the average area per transaction in 2024 came to 2,200 sq ft (206 sq m).

A considerable growth of rental rates can also be seen in Dubai Design District (+22% vs 2023) and Trade Center First (+24% vs 2023). These districts are free economic zones that offer preferential treatment and tax-free environment to investors and foreign business owners, as well as a freehold. The rent rise trend can be explained by ongoing activity of international companies seeking to gain a foothold in Dubai. The city’s strategic location and benign conditions for doing business make it an attractive centre for foreign investors and international companies.

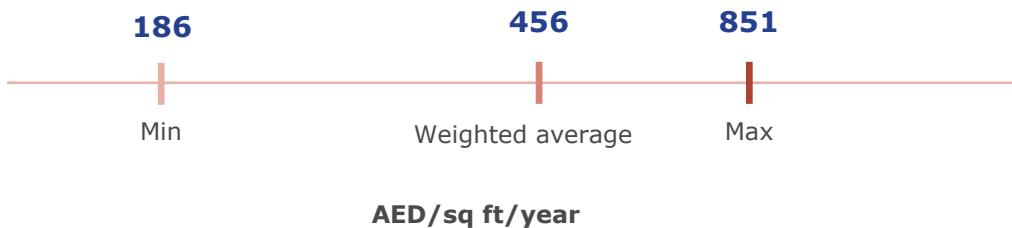
Dynamics of weighted average rates on new lease agreements in Dubai’s main business districts, 2021-2024



Source: Nikoliers, Reidin

Dubai International Financial Centre (DIFC) remains one of the city’s key business districts luring major players from different sectors: finance, law and others. There is no access to the data on closed lease and purchase deals in this district. This is why in our calculations of the weighted average rental rate we relied on information from open sources, including the current offers of vacant office premises.

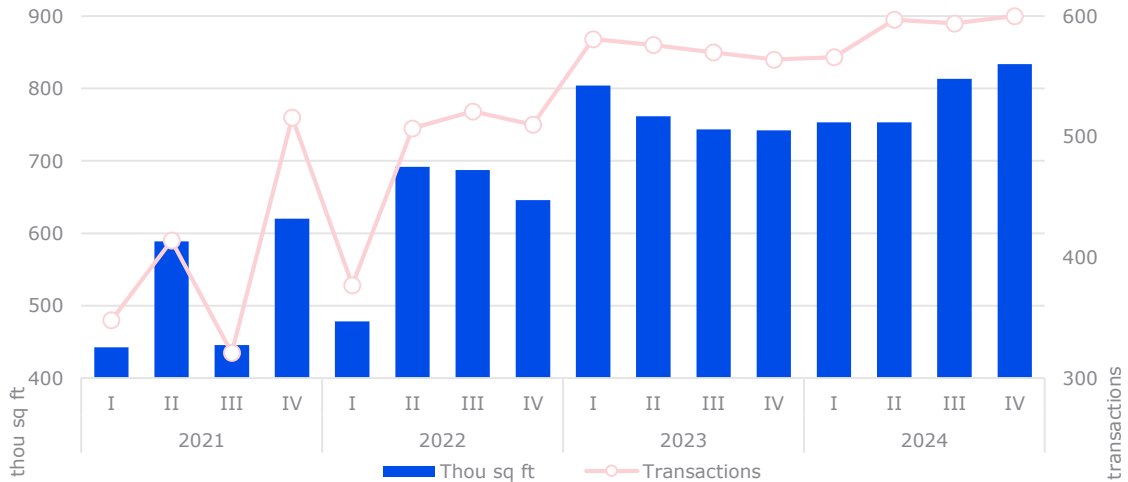
The range of rental rates in DIFC district, Q4 2024



Purchase

The total of more than 2,300 transactions in Dubai’s main business districts were concluded on the office estate market in 2024 to the total floor space of more than 3.2 million sq ft (over 302,000 sq m), with ready-to-use facilities accounting for 97% of the total number of deals. At the present moment, the bulk of office space supply in the Emirate is generated by buildings aged 15 years on average. The plan calls for new projects to be put into operation in several years to come.

Dynamics of office space sales in ready-to-use office premises, 2021-2024



1 324
sq ft (123 sq m)

Average office space purchased in ready-to-use office facilities for 2024

The weighted average sale price per sq ft in ready-to-use office buildings across the main business districts of Dubai amounted to 1,751 AED/sq ft (5,132 USD/sq m) in 2024, which is 19% higher than in 2023.

19%
2024 vs 2023

Growth of the weighted average price for a ready-to-use office facility

Dynamics of the weighted average price change for ready-to-use office premises, 2021-2024



Supply and vacancy rate

At the present moment, the total office space supply exceeds 65 million sq ft (5.9 million sq m). The calculation was taken in Dubai's main business districts with reference to leasable area.

According to Reidin, starting in 2021 vacant office space has shrunk by 8 p.p. – from 19% in H2 2021 to 11% in H2 2024.

New development

As local and foreign companies are expanding in Dubai, the interest in high-quality office premises keeps rising. Burgeoning demand for office space coupled with constantly growing rental rates spur the activity of developers.

Examples of future projects

Capital One is a new office project under construction in the Motor City district. The developer is Centurion. Capital One is among the few new class A projects in Dubai and the only one in this district. The building will house 240 office units.

The works are scheduled for completion in Q3 2027.



Capital One

Azizi Emerald is a new commercial project from Azizi in Dubai Healthcare City. The office building will have the area of more than 7,800 sq m and the height of over 65 m. The facility will sit close to major motorways, which will ensure easy access to the main business and densely populated residential areas of the Emirate.

The works are scheduled for completion in Q2 2027.



Azizi Emerald

Trends and forecast



Growing rental rates

Throughout 2024, there was a growth of rental rates on new leases in the main business districts of Dubai, which is related to the scarcity of office space and the lack of new supply as well as the rising interest in offices. This is corroborated by an increase in the number of international companies operating in the region. This trend is expected to continue in the future, bolstering a further rise of rental rates.



Developers stirred to activity

For quite a long time developers paid no attention to the office segment, especially in several recent years, when the housing market has been booming. As a result, the main office space supply in the Emirate has been generated by buildings aged 15 years on average. It is expected that in 2025 new projects will be announced, whereas the earlier announced projects are scheduled for commissioning till the end of 2027. Nevertheless, the new commissioning of single buildings will be below the burgeoning demand. High demand for office premises in the backdrop of growing rental rates and sale prices in the top-notch districts of Dubai is the driver of burgeoning new development, especially in mainland territories.



Growing number of flexible office spaces

At the present moment, we can see an increasing number of flexible office spaces in the Dubai office estate market, which are in high demand among occupiers seeking high quality products complete with all amenities, which do not require time and investment in fit-out and equipment.



Vacant office space contraction

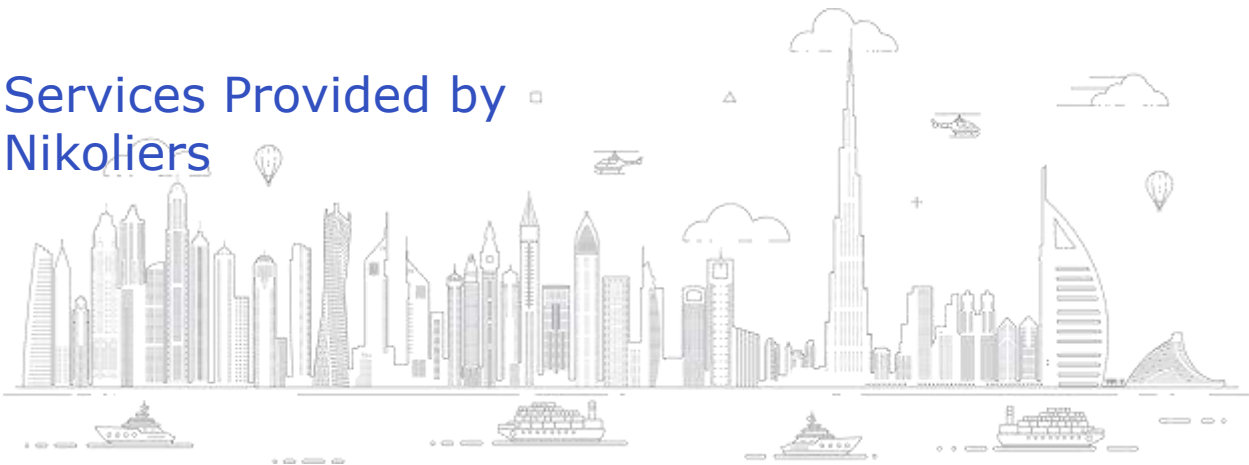
The vacancy of office premises will be going down, especially in districts with advanced infrastructure. Given the limited supply in existing business districts, rapid development of new territories and transport infrastructure, new quality office buildings will be emerging outside of the Emirate's traditional business areas as well.

The rapid economic and business development in the UAE in recent years has inevitably led to a shortage of quality office space, which has been reflected in lower vacancy rates, higher rental rates and soaring sale prices. As a result, an important trend in 2024 was the return of developers' interest in the office segment and the launch of some new office projects. On the horizon of 3-4 years, this will partially make up for the lack of modern office space supply. However, during 2025-2027 the shortage will only be increasing, contributing to further growth of prices. The current situation on the market is favorable both for developers launching new projects and for investors purchasing units in quality ready-to-use and under construction projects. In addition, the lack of premium offices allows operators of serviced office spaces to develop their business very successfully, offering a new, high-quality and ready-to-use product for their customers in the main business districts of Dubai.

Andrey Kosarev
Partner
UAE



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Contacts

Office in Dubai

Andrey Kosarev
Partner

Andrey.Kosarev@nikoliers.com

Research

Tatiana Divina
Regional Director

Tatiana.Divina@nikoliers.ru

Daria Vishniakova
Junior Analyst

Daria.Vishniakova@nikoliers.ru

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 **Nikoliers**

123112 Moscow
10 Presnenskaya Embankment
BC Naberezhnaya Tower
Block C, 52 floor