

*A biannual review of key trends and the performance of Abu Dhabi's office market*

# Abu Dhabi Office Market Review

## Autumn 2022



## OFFICE RENTS REMAIN RESILIENT

Business confidence in Abu Dhabi has significantly increased due to a favorable economic environment, a recovery in tourism numbers, a successful vaccine program, and the recent easing of COVID-19 restrictions. This is reflected in the rise in office space requirements we have been recording.

Despite this, however, rents in all the main office submarkets tracked by Knight Frank have remained stable during Q3.

Capital Centre has outpaced the rest of the city, with average rents climbing by 4.7% over the course of the last 12 months, taking them to AED 1,400 psm.

The stability in rents, which are now up to 3.6% higher than in 2020 (Corniche/ Downtown), or 11.3% and 4.3% in the case of Capital Centre and Al Reem Island respectively, we feel, may be in part responsible for the flat picture. Occupiers are still grappling with the rental increases since the pandemic began, and landlords are reluctant to boost rates in case businesses opt to downsize or move elsewhere.

## SHORTAGE OF GRADE A SPACE

What we are seeing is a widespread return of employees to offices and business confidence is rising in tandem. Businesses feel good about life right now, as this is reflected in the non-oil sector PMI readings - and demand for office space is rising across the board. However, like Dubai, the Abu Dhabi office market continues to face an insufficient supply of good quality fitted space in well managed buildings.

In fact, in locations like ADGM, along with the some of the city's best buildings, occupancy levels are running at 95% plus, highlighting the challenge new entrants, or those looking to expand face.

## LIMITED SUPPLY

To exacerbate matters, the city's development pipeline is very limited. We forecast that the total stock in the city will rise to 4.39 million sq m of GLA by 2025, with 95,000 sq m of stock being developed between now and 2025.

The vast majority of this new supply is expected to be Al Maryah Island (45,000 sq m)

Existing stock in traditional CBD areas on the main island (i.e., towards the Corniche and Al Danah) are aging and fail to offer quality space, hinting strongly at the continued and widening gulf between Grade A rents and rates being achieved for older, more secondary space.

That said, newer developments offering better quality office space are being developed in emerging areas of Abu Dhabi such as Al Maryah Island, Al Reem Island, Al Raha to name a few, in line with the City's expansion corridor.

## SERVICED OFFICES IN HIGH DEMAND

Furthermore, the flexibility of serviced offices remains a key characteristic for newly entrants to the market as well as start-ups.

There is high a demand for flexible offices in branded serviced offices, which has led to existing operators looking for opportunities to expand and tenants preferring shorter leases.



## EDUCATION SECTOR DOMINATES

Most office space requirements in Abu Dhabi are driven by the education and media sectors.

In fact, these two sectors account for 50% of the 18,000 sq m of new office demand registered so far this year.

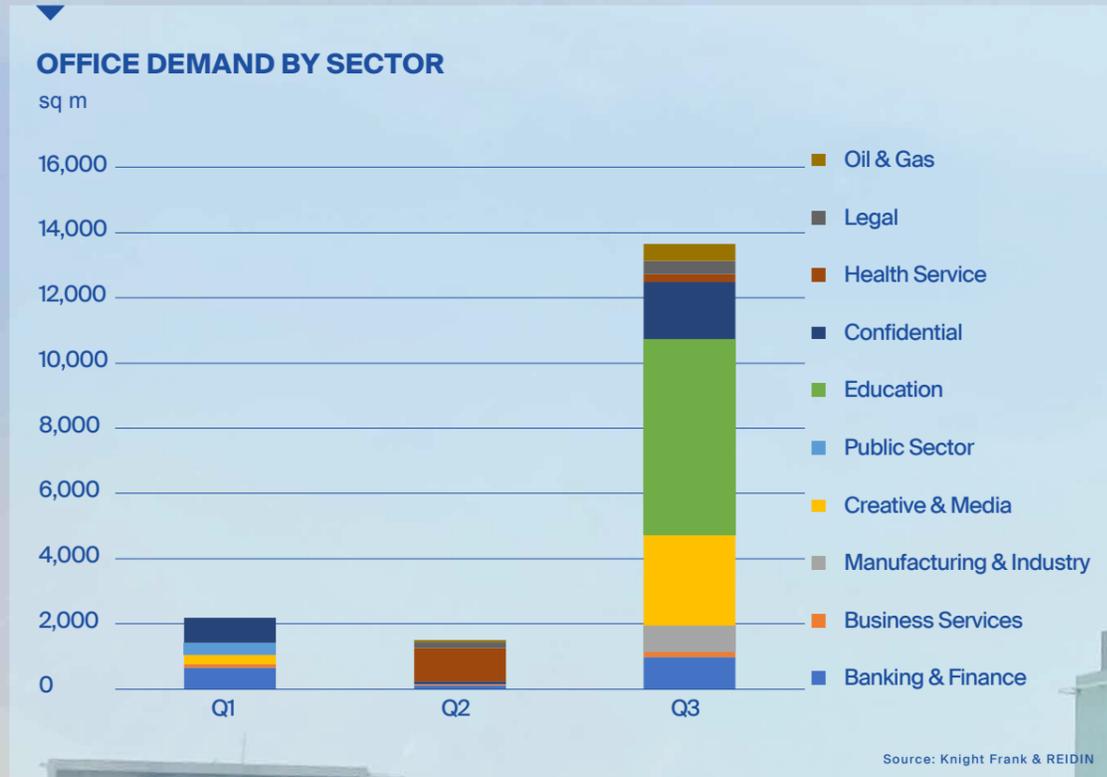
Overall, total demand has surged in the third quarter with the education (6,000 sq m), creative and media (3,000 sq m), banking and finance (980 sq m) and construction and property development (800 sq m) sectors dominating new requirements.

These education requirements stem from schools, early learning facilities, language learning centers, mental health institutions, autism and behavioral treatment centers occupiers.

The rise in requirements from the sector is in part linked to the UAE's AED 58.9 bn Federal Budget for 2022, which has the education sector as the second biggest recipient of funding (16%) behind development and social spending (41%).

In addition, take-up is being driven by existing tenants expanding operations. Semi-government entities have also lifted demand for Grade A offices.

One of the most notable recent deals has been global procurement and supply chain provider GEP which has expanded its presence in the Middle East with the launch of a new office in Abu Dhabi in October.



## IN FOCUS: ABU DHABI AS A GLOBAL HUB

The Abu Dhabi government aims to attract more FDI by promoting a flexible and open business environment and fostering Abu Dhabi's global profile.

Indeed, the emirate was ranked as the 5th most preferred place to work by the Boston Consulting Group and The Network in 2021, reflecting the city's growing reputation as a hub for talent.

In addition, during Q3, the Abu Dhabi Executive Committee approved the launch of the Abu Dhabi Residents Office that will address residency requirements of expats and operate as a division of the Abu Dhabi Department of Economic Development (ADDED). The office will streamline existing programs in partnership with government and non-government entities.

Ultimately, the Abu Dhabi Residents office aims to boost Abu Dhabi's reputation as an attractive global hub for talent, economic diversity and sustainable development.

Separately, the introduction of the Golden Visa scheme in 2019, in addition to the recently introduced Green Residence Visa, is attracting new workers to the emirate. The new visa options offer a clear pathway for investors, entrepreneurs, professionals and international talent to contribute to the growth in Abu Dhabi's priority sectors such as culture, healthcare, research and development (R&D) and real estate.

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## ABU DHABI OFFICE MARKET IN NUMBERS

Submarket	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	3-month change	12-month change
Abu Dhabi Mainland	1,150	1,138	1,138	1,138	1,138	0.0%	-1.1%
Abu Dhabi Freezones	1,950	1,880	1,880	1,820	1,820	0.0%	-6.7%
Al Reem Island	950	950	950	967	967	0.0%	1.8%
Capital Centre	1,417	1,433	1,433	1,483	1,483	0.0%	4.7%
Corniche Area	1,763	1,788	1,788	1,788	1,788	0.0%	1.4%
Khalifa Park	900	900	900	900	900	0.0%	0.0%



NOTABLE REQUIREMENTS Q3 22		
Company name	Sector	Requirement size (sqft)
Confidential	Education	6,000
Confidential	Creative & Media	3,100
Confidential	Banking & Finance	1,700
Confidential	Health Services	1,250

Source: Knight Frank



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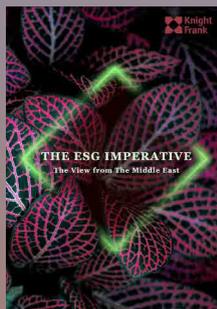
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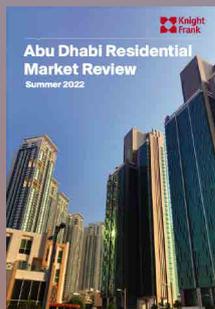
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