

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



[www.knightfrank.ae](http://www.knightfrank.ae)

# Abu Dhabi Office Market Review

Summer|2021



**125** Your partners  
in property  
for 125 years

**Rents for best-in-class space edge upwards**

Headline rents for Grade A offices Abu Dhabi have shown resilience during the second quarter, mirroring the emerging trend in Dubai, with rents in three of the five submarkets we track – Abu Dhabi Freezones (AED 1,970 psm), Capital Centre (AED 1,325 psm) and Corniche/Downtown (AED 1,600 psm) – experiencing rental growth. Indeed, after rising by 6.7% over the last 12 months, rents in the Corniche/Downtown area have now reached their highest level since at least 2017.

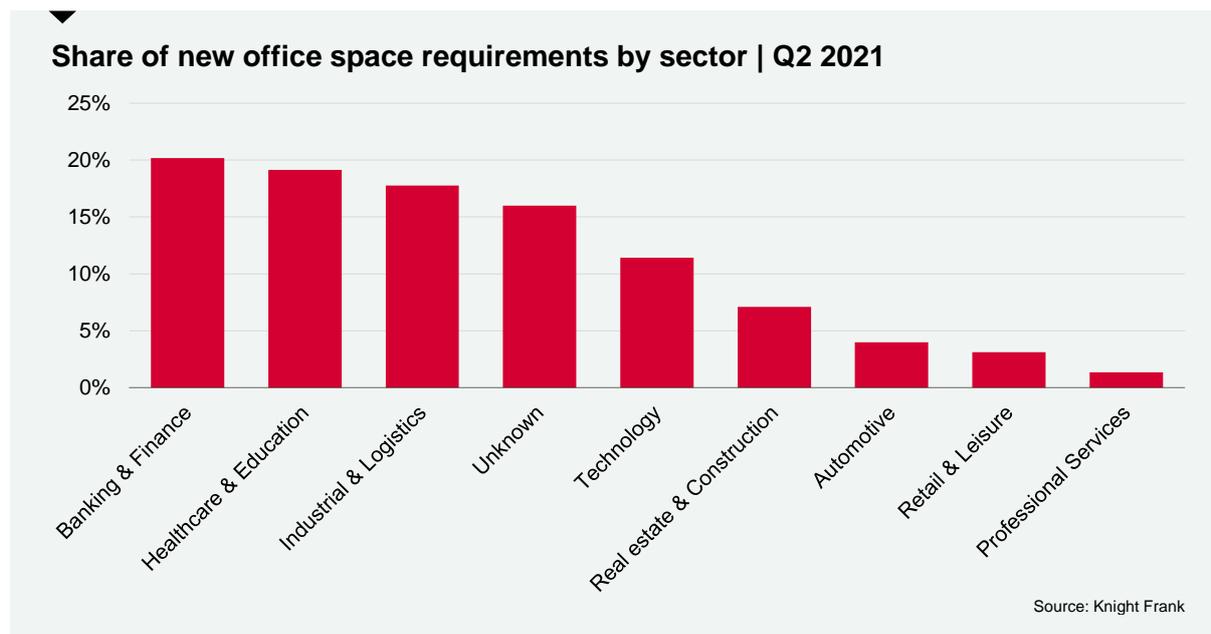
**THE MARKET IN NUMBERS**



Source: Knight Frank

As has been the case throughout the pandemic, the sharpened focus of occupiers on best-in-class space is also helping to hold overall occupancy levels steady at c. 79% in the city's best buildings; up from 78% in Q1 2021.

The somewhat anomalous performance of climbing rents and steady vacancy rates is also in part being driven by landlords' needs to boost their rental income in order to meet their financing obligations and so some are perhaps adjusting rents upwards without new demand to support any increases. That said, overall requirements for new office space reached 11,260 sqm during Q2, up from 9,750 sqm during the same period last year.



Source: Knight Frank

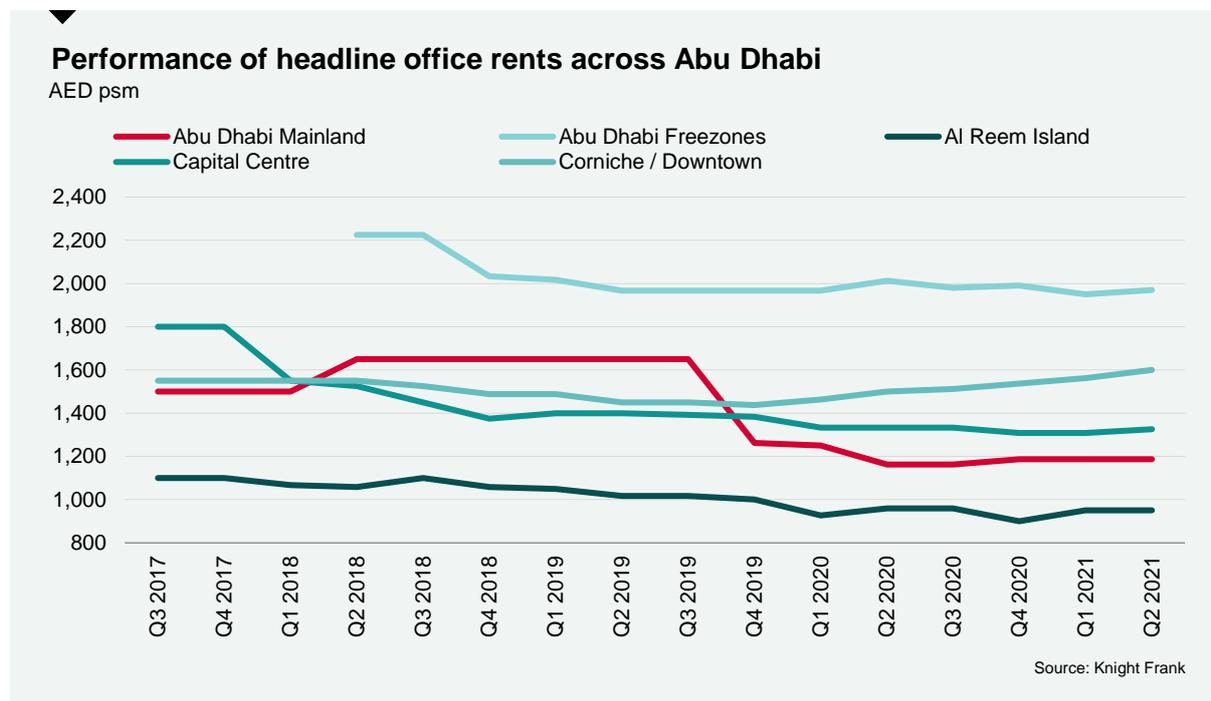
*“As has been the case throughout the pandemic, the sharpened focus of occupiers on best-in-class space is also helping to hold overall occupancy levels steady.”*

**Banking & finance most active sector**

At just over 20% of all new space requirements, the banking and finance sector dominated demand during the second quarter, with the largest requirement linked to a public sector entity. This was closely followed by the healthcare and education sector (19.1%), while the industrial and logistics sector (17.8%) came in third place. The largest new requirement during Q2 however came from the industrial and logistics sector, with 2,000 sqm being sought in the Capital Centre area.

Demand from the latter two sectors stems in part from peripheral businesses linked to the decision by the government of Abu Dhabi to begin manufacturing Covid-19 vaccines at the Khalifa Industrial Zone Abu Dhabi (KIZAD). Other healthcare and education linked demand is being driven by businesses looking for a first base in Abu Dhabi.

The other noteworthy source of inquiries stems from Israeli businesses, linked to the technology sector, who are looking for a first presence in the UAE following the normalisation of relations between the two states in September 2020.



**ISSUE IN FOCUS: ESG**

The war for talent was a well-entrenched issue before Covid-19 and one that will transcend the pandemic. In fact, as global economies rev up, we're seeing staff shortages being reported around the world. The UK for instance is now reporting its worst labour shortage since 1997 and it's a similar story in the United States.

One of the ways in which businesses have been mitigating against issues stemming from the war for talent is by occupying best-in-class office space – this is where environmental, social and governance (ESG) considerations come into their own. And this is precisely why we continue to see a flight to quality and greater rental resilience for the best offices in the best locations.

As going 'green', or being seen as 'green', becomes the expected norm, buildings perceived to do more harm than good to the environment will likely see diminished occupier demand. And while much is being debated around the magnitude of green rental premia, 'brown' discounts are equally likely to become more commonplace as businesses shy

away from buildings that don't match their ESG aspirations.

For Abu Dhabi's landlords the message is clear: to win and retain new occupier tenants, the green agenda must take centre stage and while there is a disparity in the recognition of this issue, there is clear opportunity to stand out in the market as a green leader.

**HEADLINE GRADE A OFFICE RENTS ACROSS ABU DHABI**  
(AED psm)

Submarket	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	3 month change	12 month change
Abu Dhabi Mainland	1,163	1,163	1,188	1,188	1,188	0.0%	2.2%
Abu Dhabi Freezones	2,013	1,980	1,990	1,950	1,970	1.0%	-2.1%
Al Reem Island	960	960	900	950	950	0.0%	-1.0%
Capital Centre	1,333	1,333	1,308	1,308	1,325	1.3%	-0.6%
Corniche / Downtown	1,500	1,513	1,538	1,563	1,600	2.4%	6.7%

# Contacts.

## Faisal Durrani

Partner - Head of Middle East Research

+44 7885 997 888

faisal.durrani@me.knightfrank.com

---

## David Crook

Partner - Head of Abu Dhabi

+971 56 2197 389

david.crook@me.knightfrank.com

---

## Priscilla Goh

Commercial Agent

Occupier Services & Commercial Agency, Abu Dhabi

+971 56 4202 313

priscilla.goh@me.knightfrank.com

---

## Recent market leading publications



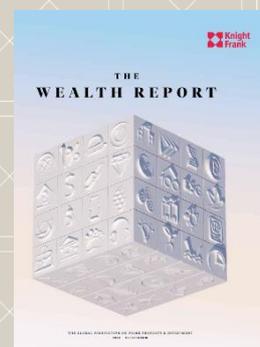
(Y)OUR SPACE



ACTIVE CAPITAL



THE LONDON REPORT



THE WEALTH REPORT

## Important Notice - © Knight Frank LLP 2021

Note: This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank Middle East Limited (Dubai Branch): Prime Star International Real Estate Brokers (PSIREB RERA ORN: 11964 trading as Knight Frank with registration number 653414. Our registered office is: Level 5, Building 2, Emaar Business Park, PO Box 487207, Dubai, UAE.