

The Pulse of Dubai's Commercial Real Estate

Market Report

Q2 2024

Foreword

In the second quarter of 2024, the Dubai commercial real estate market experienced a nuanced shift. While there was a marginal 2% decline in transaction volume compared to the same period last year, the value of these transactions has notably increased across the office and warehouse segments. This period also marked a pivotal change in the supply landscape, addressing the previous shortage of commercial space.

Despite external challenges such as heavy floods and extended public holidays, buyer leads at CRC saw a remarkable 14% increase. This resilience underscores the market's strength and adaptability.

Moreover, this quarter holds special significance as we celebrate the 5th anniversary of our company. As we reflect on our journey, we are filled with optimism and determination to continue our success and growth.

The market is poised for substantial growth with significant new developments on the horizon. TECOM's Innovation Hub Phase 2, One Za'abeel Tower, DMCC's Uptown Tower Phase 2, Sweid & Sweid's 6 Falak and Sweid One, Al Was Tower, and DIFC 2.0 are set to add over 9.5 million square feet of office space by 2028. This influx of new commercial properties signals a robust future for Dubai's commercial real estate market, paving the way for new opportunities and continued prosperity.



Behnam Bargh
Managing Director, CRC

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Economic Round-up

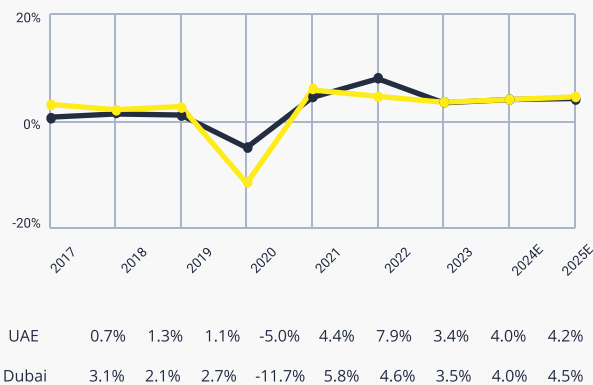
The UAE economy is poised for robust growth, with the International Monetary Fund (IMF) forecasting a 4.2% increase in real Gross Domestic Product (GDP) by 2025, surpassing the global average of 3%. This expansion is largely driven by the non-oil sector, now contributing over 70% to the country's economic growth for the first time. This diversification marks a significant achievement in reducing reliance on oil and enhancing economic stability, supported by controlled inflation rates.

Government initiatives are pivotal in this growth trajectory. The UAE has implemented favourable policies, such as a liberalized visa framework offering 10-year residency permits and laws allowing 100% foreign ownership of onshore companies across multiple sectors. Notably, the introduction of the 10-year 'Blue Visa' for environmental contributors underscores a commitment to sustainability, aligning the UAE with global leaders in eco-friendly practices like Portugal, New Zealand, Canada, and Singapore. Additionally, progressive digital regulations position the UAE as a frontrunner in digital innovation, appealing to technology-driven enterprises.

For the industrial, warehousing, and logistics segments, this means robust activity and significant growth potential. However, this growth also highlights a pressing challenge: a supply crunch in the market. There is a limited availability of land in attractive, prime, central locations suitable for constructing large industrial and warehousing spaces. This scarcity, coupled with rapidly rising demand as many businesses establish operations in the city, is creating a bottleneck.

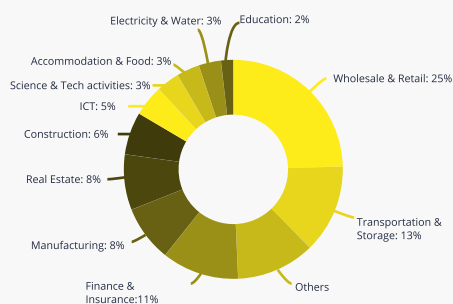
As a result, the industrial, warehousing, and logistics segments are facing difficulties in expanding their infrastructure to meet the growing needs, potentially leading to higher costs and competition for available space. Addressing these constraints will be crucial for sustaining Dubai's economic growth and supporting its position as a global business hub.

Real GDP Growth (%)



Source: International Monetary Fund

% Contribution in Dubai's real GDP



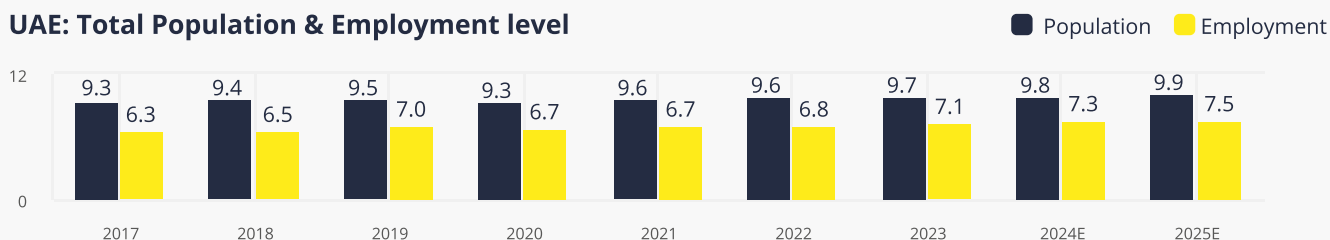
Source: Dubai Media Office

With the UAE's population projected to reach 10 million within two years, the nation saw a 0.7% increase in population and 1.4% growth in employment in 2023, driving demand for infrastructure and bolstering the real estate sector.

Dubai, a key economic driver, demonstrated resilience with a 3.3% GDP growth in 2023, emphasizing sustainable development through initiatives like the Quality of Life Strategy 2033. This strategy aims to create integrated communities and well-being districts, supported by initiatives such as the AED 25 billion (\$6.8 billion) Foreign Direct Investment (FDI) program. Expected to attract AED 650 billion (\$176.96 billion) in investments by 2033, this program will catalyze new developments in residential, commercial, and mixed-use properties.

Looking forward, Dubai aims to solidify its position as a leading urban economic powerhouse in the Middle East by 2050, with a projected GDP exceeding AED 2.2 trillion (\$600 billion). This ambitious growth trajectory underscores Dubai's strategic vision and commitment to sustainable economic development.

UAE: Total Population & Employment level



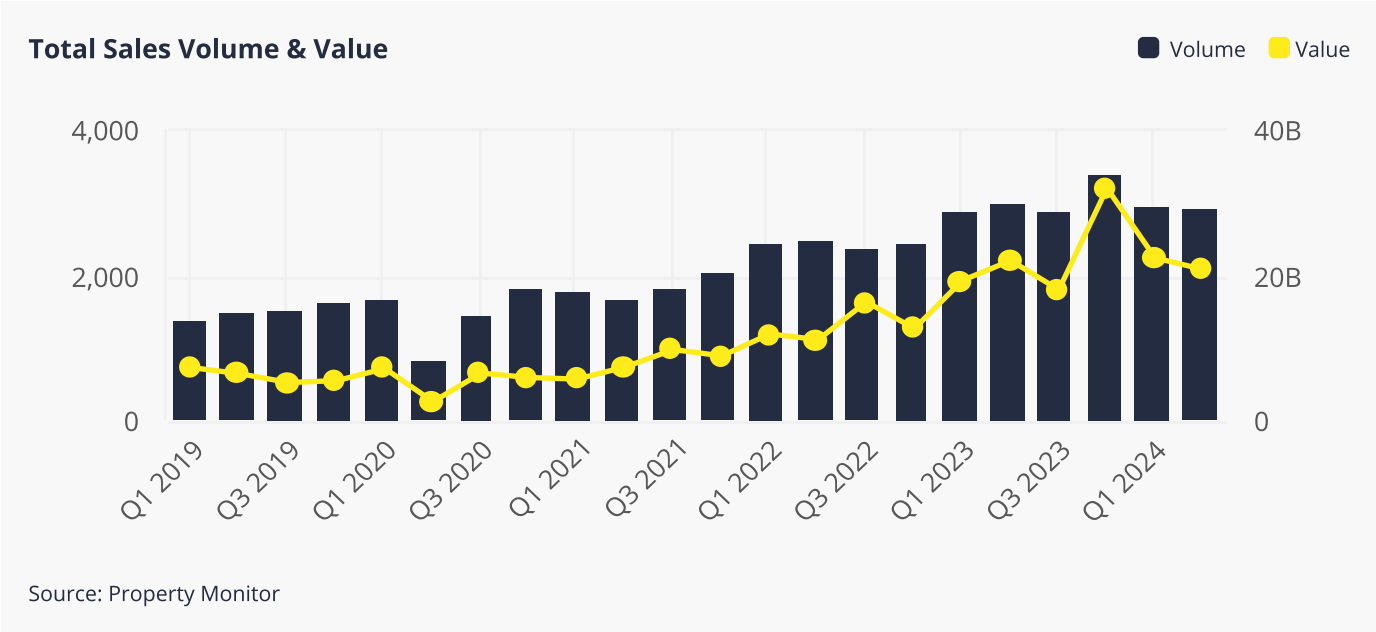
Source: Oxford Economics

Commercial Sales Transactions (DLD)

Volume and Value

In Q2 2024, the Dubai commercial real estate market experienced a marginal decline in transaction volume, with a 2% decline compared to the same quarter in the previous year. The number of commercial transactions in the city stood at 2,915 in Q2 2024 compared to 2,985 in Q2 2023. This dip suggests that while there is a slight reduction in market activity, the market's overall stability remains intact despite various external economic pressures. This stability can be attributed to the resilience of the market, ongoing investments, and strategic initiatives aimed at boosting the commercial sector. The total sales value has decreased by 6% year-over-year (YoY), reflecting potential adjustments in property pricing or transactional volume within the commercial real estate sector.

This marginal drop can be attributed to several significant events this quarter. Firstly, the region experienced historic rains, notably on April 16, which disrupted regular activities. Additionally, there were two sets of week-long public holidays: Eid Al Fitr in April and Eid Al Adha in June. These holidays traditionally see reduced market activity as many people travel or spend time with family, temporarily shifting their focus away from real estate transactions.



Office Segment Analysis

The office segment in Dubai has showcased remarkable resilience and growth over the past year. From Q2 2023 to Q2 2024, transactions in the office market have increased by 1%, while the sales value has surged by a notable 17%. The total number of office transactions reached 764, amounting to AED 1.36 billion. This significant rise in sales value underscores the sustained demand for office spaces, despite the persistent supply crunch in Dubai's office market.

Tenants are aggressively looking to acquire office spaces, even amid the prevailing exorbitant prices in the Grade A office market. This fervent demand is a clear indicator of the market's robust recovery and the high level of confidence among businesses in Dubai's economic prospects.

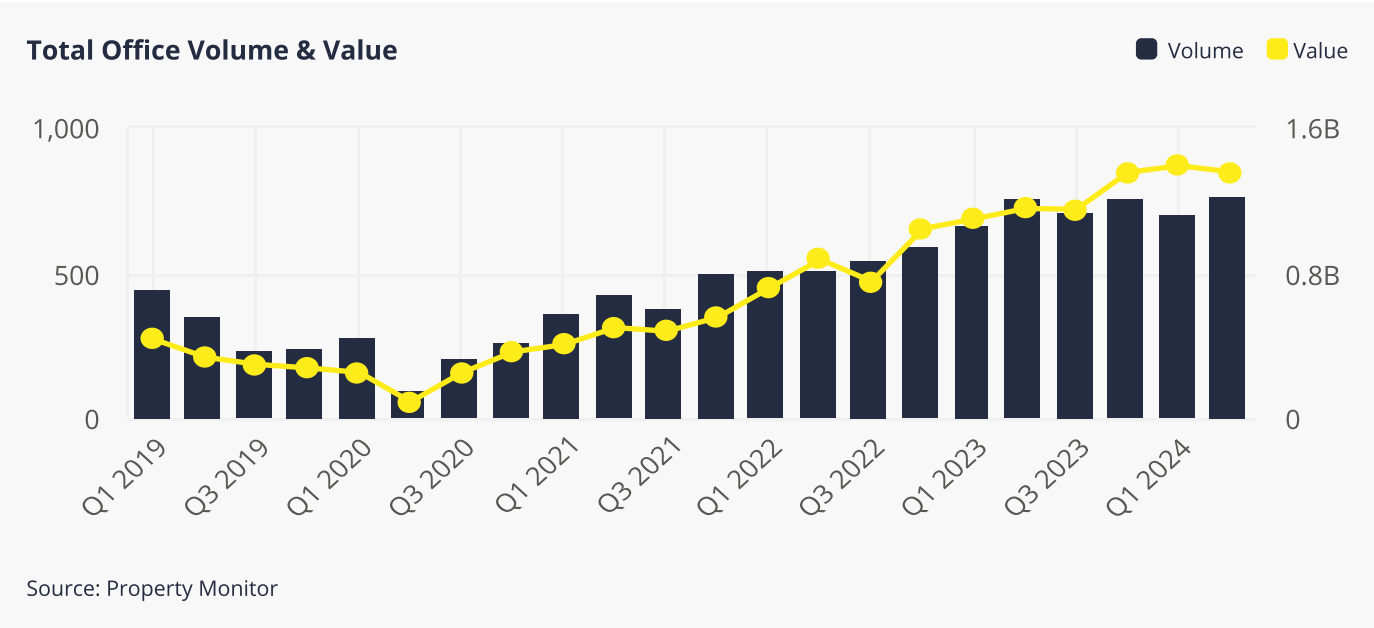
The supply constraint in the office market is particularly acute, creating a seller's market. Landlords are leveraging this situation to impose stringent terms, such as demanding rent payments in a single cheque and refusing to include break clauses in leases. These conditions reflect the high bargaining power of landlords in the current market environment.

There is a massive demand for Grade A office buildings, especially those with LEED (Leadership in Energy and Environmental Design) certifications. LEED-certified buildings are highly sought after due to their sustainability credentials, which align with the growing emphasis on environmental responsibility and energy efficiency among corporations. Tenants are increasingly prioritising these green buildings to not only reduce their carbon footprint but also to enhance their corporate image and comply with regulatory requirements.

Commercial Sales Transactions (DLD)

One of the newest and most striking trends in Dubai's office market is the emergence of pre-leases. This phenomenon, previously unheard of in the market, involves tenants securing office space before it even becomes available on the market. The practice of pre-leasing is a testament to the intense demand for high-quality office space and the proactive strategies of businesses to secure prime locations ahead of their competitors. Pre-leasing signifies a shift in tenant behaviour, highlighting their willingness to commit to office spaces in advance to ensure they secure the best possible locations and facilities. This trend also underscores the limited availability of Grade A office spaces, pushing tenants to act swiftly and decisively.

All in all, while the global commercial sector has faced challenges due to the rising preference for flexible workspaces, Dubai has leveraged this trend to establish itself as a global hub for new and expanding businesses. The UAE's strong and diverse economy, coupled with the government's comprehensive value propositions for various enterprises, has driven occupancy levels to record highs of around 90%.



Upcoming Office Supply

The office market in Dubai is poised for significant growth, with several major developments in the pipeline aimed at addressing the high demand for office space. Key players in the real estate sector are making substantial investments to expand the supply of Grade A offices and cater to the needs of various industries. Notable upcoming office developments, including TECOM's Innovation Hub Phase 2, One Za'abeel Tower, DMCC's Uptown Tower Phase 2, Sweid & Sweid's 6 Falak and Sweid One, Al Wasl Tower, and DIFC 2.0, will contribute over 9.5 million sq ft of office space by 2028.



Commercial Sales Transactions (DLD)

6 Falak by Sweid & Sweid

Dubai-based real estate developer Sweid & Sweid has recently announced the completion of its latest project, 6 Falak. This project spans over 102,000 sq ft and has garnered strong tenant interest, with precommitments exceeding 90% in Q2 2024. The high demand for sustainable office spaces is a driving factor behind this pre-leasing success. 6 Falak's focus on sustainability aligns with the increasing preference among tenants for environmentally responsible buildings.

Tecom Group's Strategic Investments

Tecom Group has made significant headlines with its substantial AED 1.7 billion investment aimed at acquiring and developing key commercial and industrial properties in Dubai. This strategic move includes the acquisition of two office buildings in Dubai Internet City and a significant land parcel in Dubai Industrial City from Dubai Holding Asset Management (DHAM).

In addition, Tecom Group plans to develop six new office buildings in Dubai Design District (d3), catering to the burgeoning demand from the design, fashion, and creative sectors. This development highlights Tecom's commitment to enhancing Dubai's commercial real estate market and supporting its growth prospects. The investment of AED 689 million to develop these six Grade A office buildings, with a gross leasable area of 503,000 sq ft, is targeted for completion by 2028. This initiative reflects Tecom's forward-looking approach to meeting future demand and providing state-of-the-art facilities for its tenants.

Dubai International Financial Centre (DIFC) Expansions

DIFC has also embarked on significant expansion projects to bolster its position as a premier business hub. Recently, DIFC broke ground on a new development called DIFC Square. The project, which includes enabling and foundation works already underway, is scheduled for handover in Q1 2026. DIFC Square will feature Grade A office spaces and retail units across three towers, set on a 113,500 sq ft plot with a total built-up area of nearly 1 million sq ft.

Additionally, in May, DIFC announced the Immersive Tower project, which boasts a total built-up area of over 1.24 million sq ft. Located adjacent to Daman Tower and ICD Brookfield Place, this project is slated for completion in April 2027. These developments emphasize DIFC's commitment to providing top-tier office spaces and maintaining its competitive edge in the global financial market.

DMCC's Uptown Dubai Development

DMCC has broken ground on the second phase of its Uptown Dubai development, enhancing its real estate offering. The project involves constructing two mid-rise towers, 23 and 17 stories high, providing 753,000 sq ft of Grade A office space and 86,000 sq ft of F&B and retail areas. The entire Uptown Dubai development will have a total gross floor area of 5.8 million sq ft, with 2.5 million sq ft dedicated to commercial office space.

Upcoming Office Supply

- Innovation Hub Expansion at Internet city
- Uptown Tower
- 6 Falak
- Sweid One
- Wasl Tower
- DIFC 2.0
- D3 Dubai Design District



Commercial Sales Transactions (DLD)

Top 5 locations for Office Transactions in Dubai

The office market in Dubai has seen significant activity in several key areas during Q2 2024. Here's a detailed look at the top five locations

Business Bay

Business Bay continues to dominate the office market in Dubai, accounting for a remarkable 43% of all office transactions in Q2 2024. This area's prime location, close to Downtown Dubai and its central business district, makes it a highly desirable spot for businesses. Business Bay offers a mix of high-rise office buildings, luxury hotels, and residential units, providing a comprehensive urban environment. The area's extensive transport links, including the Dubai Metro, add to its appeal, making it an attractive location for both local and international companies.



Jumeirah Lakes Towers

Jumeirah Lakes Towers (JLT) follows closely, with 32% of office transactions. JLT is known for its cluster of towers, each offering a mix of office, residential, and retail spaces. Its strategic location along Sheikh Zayed Road, proximity to Dubai Marina, and access to the Dubai Metro make JLT a favoured location for businesses. The area also benefits from its free zone status, providing attractive incentives for companies looking to establish a presence in Dubai.



Dubai Silicon Oasis

Dubai Silicon Oasis (DSO) accounted for 5% of office transactions in Q2 2024. DSO is a technology park and free zone that focuses on fostering tech-driven businesses and startups. It offers state-of-the-art infrastructure, a supportive business environment, and incentives for tech companies. Its location, coupled with its focus on innovation and technology, makes it a hub for tech-oriented firms seeking modern office spaces.



Arjan

Arjan, with 4% of office transactions, is emerging as a growing business district in Dubai. Located in Dubailand, Arjan is known for its mix of residential, commercial, and hospitality developments. Its strategic location near major highways provides easy access to other parts of Dubai. The area is also home to several educational institutions and healthcare facilities, making it an attractive location for businesses in these sectors.

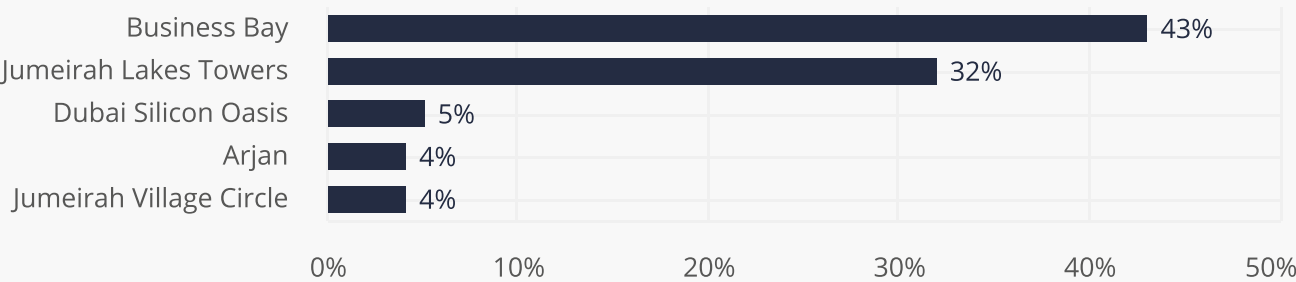


Jumeirah Village Circle

Jumeirah Village Circle (JVC) also captured 4% of office transactions. JVC is a rapidly developing area known for its family-friendly residential communities and increasing commercial spaces. Its relatively lower rental costs compared to more central locations make it an attractive option for small and medium-sized enterprises (SMEs). The area's well-planned infrastructure and growing amenities continue to attract businesses looking for cost-effective office space options.



Top 5 locations for Office Transactions



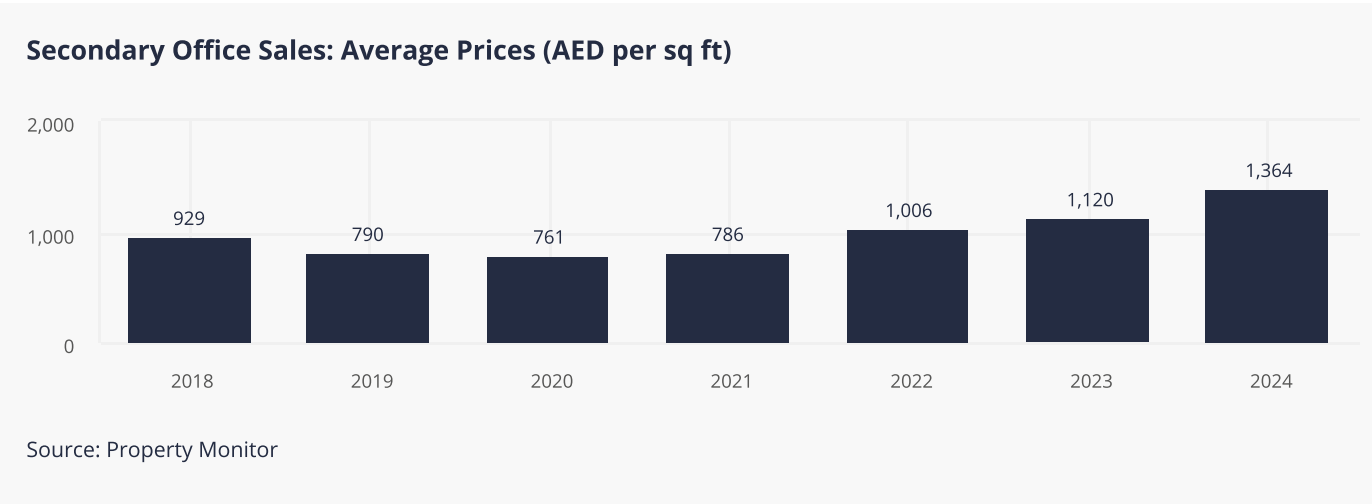
Source: Property Monitor

Commercial Sales Transactions (DLD)

Average Selling Prices

The average selling price for secondary office spaces in Dubai has not only recovered from the pandemic downturn but has reached an all-time high of AED 1,364 per sq ft as of Q2 2024. This figure represents a substantial 22% YoY increase, underscoring the strong demand and robust growth in the market. The demand for high-quality, Grade A office spaces remains strong, particularly in key business districts like Business Bay and Jumeirah Lakes Towers. Businesses are willing to pay a premium for well-located, modern office spaces with top-notch facilities and connectivity, pushing average prices higher.

Despite the ongoing development projects, there is a persistent supply crunch for premium office spaces in Dubai. The limited availability of high-quality office spaces has led to increased competition among businesses, driving up prices. The high occupancy rates and scarcity of new supply have contributed significantly to the surge in selling prices.



Retail Segment Analysis

The retail segment in Dubai has seen remarkable growth recently, marked by a 53% increase in transaction volume and a 74% rise in sales value year-on-year (YoY). This sector is a major economic driver, supported by various factors including increased tourism, government initiatives, Dubai’s strategic location, and a business-friendly environment.

Increased Tourism

In 2023, Dubai welcomed over 17 million tourists, many of whom were drawn to its luxury shopping experiences. This influx significantly boosts retail sales, making the city a global hub for both brick-and-mortar retail and e-commerce.

Government Initiatives

The Dubai government has implemented several pro-business policies that foster a thriving retail environment. These initiatives include infrastructure development, tax incentives, and streamlined business processes that attract global and regional retail giants to the city.

Strategic Location

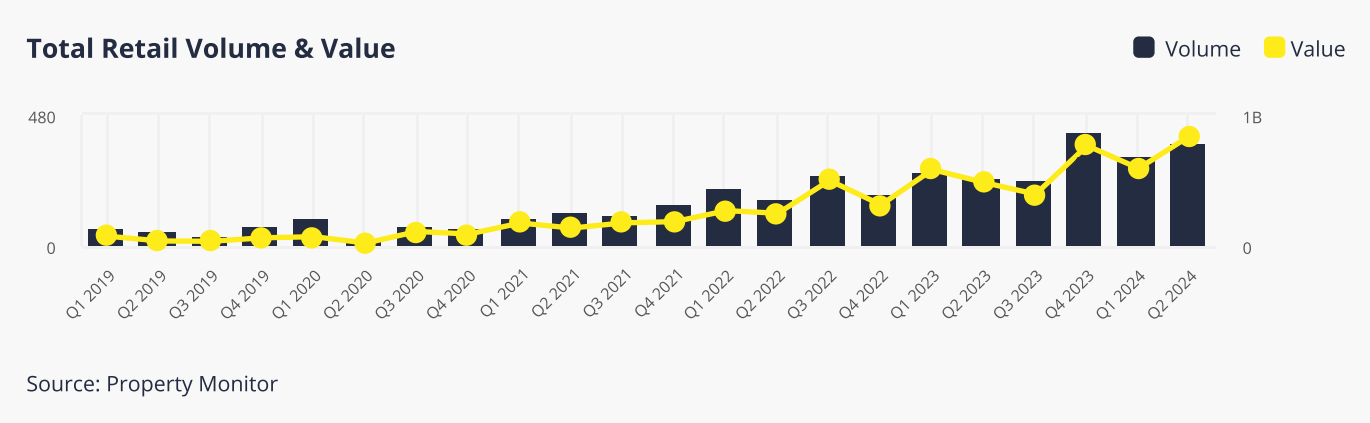
Dubai’s position as a gateway between East and West makes it an ideal location for retailers targeting the MENA region, which boasts a consumer spending market worth \$1.5 trillion. This strategic advantage facilitates trade and commerce, further bolstering the retail sector.

Business-Friendly Environment

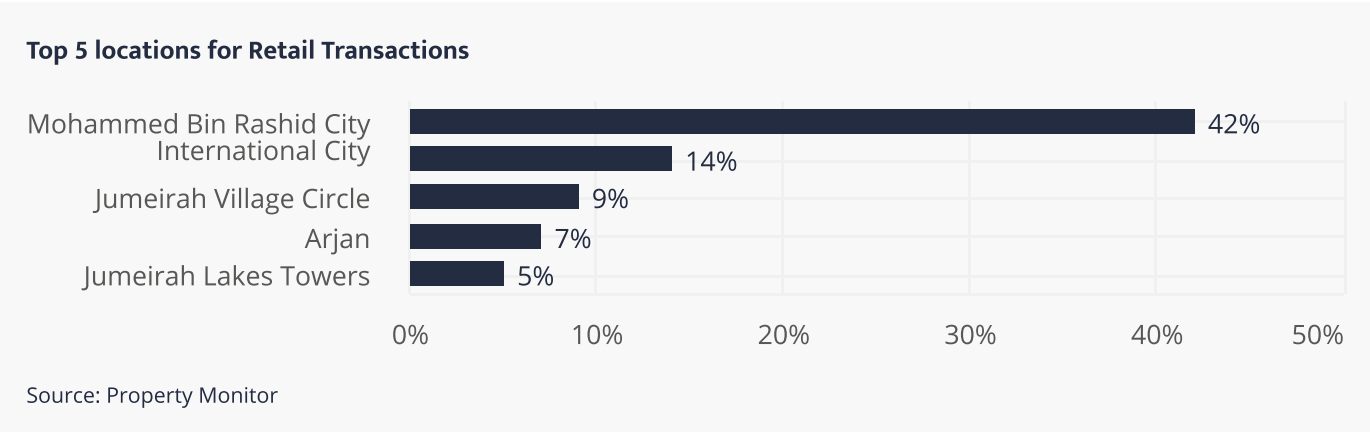
Dubai offers a conducive environment for business expansion, characterized by robust legal frameworks, ease of doing business, and high consumer confidence. These factors collectively contribute to the city’s appeal as a premier retail destination.

Commercial Sales Transactions (DLD)

Dubai's retail industry is a critical component of the city's economy, significantly contributing to its GDP. The sector has also generated over 250,000 jobs, driven by substantial capital expenditure and rapid digitalization. The retail market is poised for continued growth, with projections indicating a 6% annual increase through 2029.



The top locations for Dubai's retail transactions in Q2 2024 are:



Upcoming Developments and Innovations

Several ambitious projects are set to enhance Dubai's retail landscape further:

Dubai Mall Expansion

A AED 1.5 billion expansion is planned, aimed at accommodating the rising population and increasing brick-and-mortar retail spending.

Drive-Through Mall in Dubai Creek Harbour

Emaar's innovative "drive-through" mall concept will allow visitors to navigate the mall in electric cars. This "indoor city" will feature residences, hotels, and a shopping district.

Vertical Mall on Sheikh Zayed Road

Azizi Developments plans to build a \$1.5 billion vertical mall, adding another iconic shopping destination to Dubai's retail landscape. Dubai plays a pivotal role in the GCC retail sector, holding about a third of the market share. The workforce in this sector primarily consists of blue-collar and grey-collar workers. Despite the region's reliance on food imports, recent trends indicate a decrease in import volume, complemented by increased demand for last-mile delivery services like Talabat and Uber Eats.

Retail operators in Dubai are proactively reoptimizing their assets to align with evolving technology and e-commerce trends. This includes incorporating digital solutions and enhancing customer experiences. Additionally, smaller community and neighbourhood malls have successfully established homegrown concepts, including F&B establishments and convenience brands, catering to local demands effectively.

Commercial Rental Transactions (DLD)



The Head of Retail at CRC, Eliza Esenbek comments on the market outlook for the next few months, she says "The current forecast for retail spaces in Dubai for Q3 2024 remains positive, driven by economic growth, a resurgence in tourism and the lasting impact of Expo 2020. Prime retail spaces are expected to maintain stable rental rates throughout the summer months. Consumers' shift towards experiential retail, especially in prime F&B locations, continues to shape demand, supported by favourable government initiatives and positive market sentiment."

Industrial Segment Analysis

The elevated demand levels within Dubai and the limited number of new developments witnessed in the past period have resulted in a lack of quality stock. The primary inhibitor is limiting new developments without the necessary infrastructure required or available land plots. Hence, we observe companies taking up space in far-off locations such as Dubai Investments Park, Dubai Industrial City, Jebel Ali Freezone, etc., where several new rentals took place.

The demand for Grade A occupier logistics and fulfilment centres has grown substantially post COVID-19, across all the major industrial hubs of the UAE. Industrial lease rates for most locations across the UAE have shown an increasing trend. High occupancy rates of over 98% in most Light Industrial Units (LIUs) in Dubai and growing waitlists highlight the strong demand for industrial space.

Al Quoz remains a popular location due to its close proximity to major consumption centres of Dubai and Sharjah, which has also led to upward pressure on prices. Currently, the average rent per sq ft that prevails for industrial spaces in Al Quoz ranges anywhere up to AED 50-60 per sq ft, depending on the leased unit sizes.

In older areas such as Umm Ramool, Ras al Khor, and Al Qusais, warehouse rents experienced modest increases ranging from 5-7% during Q2 2024, with the majority remaining within the expected range. The general trend observed in any real estate asset class is that the active listing price always exceeds the transaction price, leaving room for negotiation. The active listing rentals mentioned here for each location are higher than the new contract's rent, anywhere between 20%-60%. Historically, investors have sought to lease land within central industrial locations in Dubai. However, the depleting land inventory in these locations and the growth of industrial parks in secondary locations have led investors to increasingly prefer such non-central zones.

Industrial land is typically available for lease terms ranging from 1 year to 45 years with most of the contracts secured over longer lease terms. The grace period and rent-free period vary between the industrial zones subject to the size of the land plot and development period. The outlook for the land lease segment remains buoyant as master developers are looking to capitalise on the shortage of available land with higher lease rates and more stringent contracts.

Nearly 80% of the total new rentals in Q2 2024 remained below 25,000 sq ft, followed by 25,000-50,000 sq ft and 50,000-75,000 sq ft. Merely, 20 new rentals took place above 100,000 sq ft. (no sufficient data) The most common trend in rentals is that the smaller the unit size, the higher the rent per sq ft and vice versa.

Absorption and Upcoming Supply

Throughout 2023, a consistent trend of rapid supply absorption has been observed across all grades and types of industrial and logistics properties in Dubai. For example, a large development completed in JAFZA Logistics Park, covering 538,200 sq ft, was fully pre-leased even before the developer received the Building Completion Certificate (BCC).

Due to the new India-UAE trade agreement, JAFZA experienced a significant increase in new Indian businesses. Additionally, an upcoming warehouse called Bharat Mart is planned for JAFZA, with a total area exceeding 1 million sq ft, and is scheduled to open in 2026.

A recent joint venture between Dubai South and Aldar aims to develop Dubai South's Logistics District. The plans for this venture involve the construction of a Grade A build-to-lease logistics facility, encompassing approximately 250,000 sq ft of gross floor area (GFA), with a targeted completion date of 2024 year-end.

Warehouses: Average Rent per sq ft for New Contracts only	
Location	Q2 2024
Dubai Industrial City	30
Jebel Ali Industrial Area	24
Ras Al Khor	36
Dubai Investments Park	48
Umm Ramool	45
Al Qusais	51
Al Quoz	54
Source: Property Monitor	

CRC Sales (Q2 2023 vs Q2 2024)

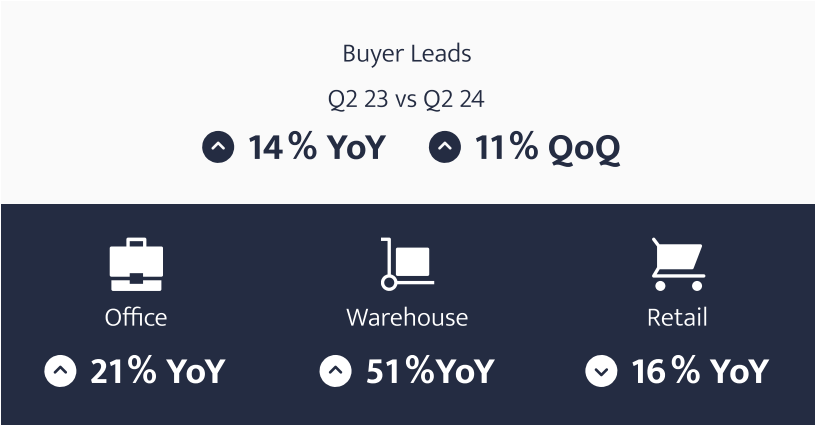
CRC has experienced notable shifts in various metrics comparing the second quarter of 2023 to the second quarter of 2024. This section of the report provides insights into sales, leads generation and pricing dynamics during this period.

Buyer Leads

The overall buyer leads have jumped up by 14% in Q2 2024 compared to the same period last year, despite disruptions from historic rains and two week-long public holidays (Eid Al Fitr in April and Eid Al Adha in June), reflecting a resilient market. These events typically reduce market activity, but the increase in leads suggests strong underlying demand.

There was a significant divergence in leads for different property types:

- Office leads increased by 21%, indicating a growing interest in office spaces offered by CRC, indicating potential business expansions, relocations and new market entrants.
- Warehouse leads saw an even more substantial increase of 51%. This substantial increase in warehouse leads suggests a surge in demand for logistics and storage spaces, driven by the growth of e-commerce and retail distribution in the city.



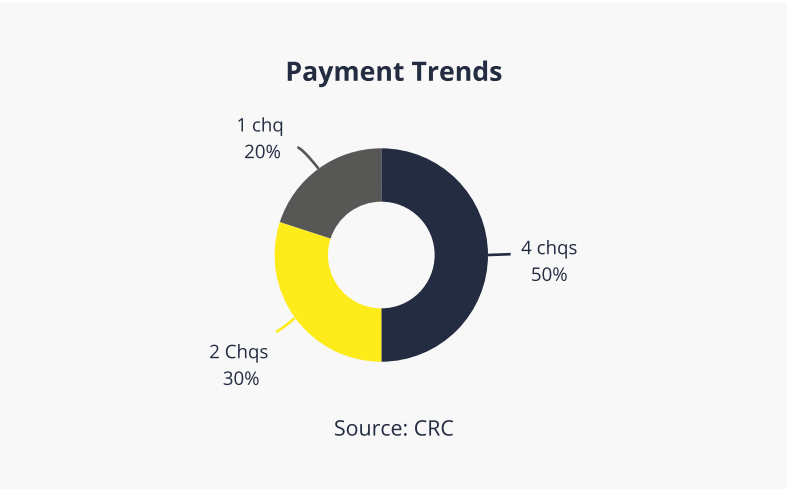
CRC Leasing (Q2 2023 vs Q2 2024)

Lease Payments

CRC's lease payment structures showed varied trends:

- 4 cheque payments increased marginally by 1%.
- 2 cheque payments saw a notable increase of 20%.
- Conversely, 1 cheque payments decreased by 19%.

These shifts indicate a potential change in tenant payment preferences towards shorter-term commitments and away from longer-term commitments.



Tenant Leads

The increase in overall tenant leads by 2% in Q2 2024 compared to the previous quarter, coupled with a significant 78% YoY increase in leasing reservations and a 19% rise in invoiced leasing transactions, indicates a robust and improving market position for CRC. These trends highlight CRC's ability to attract and secure tenants effectively, even in a fluctuating market environment.

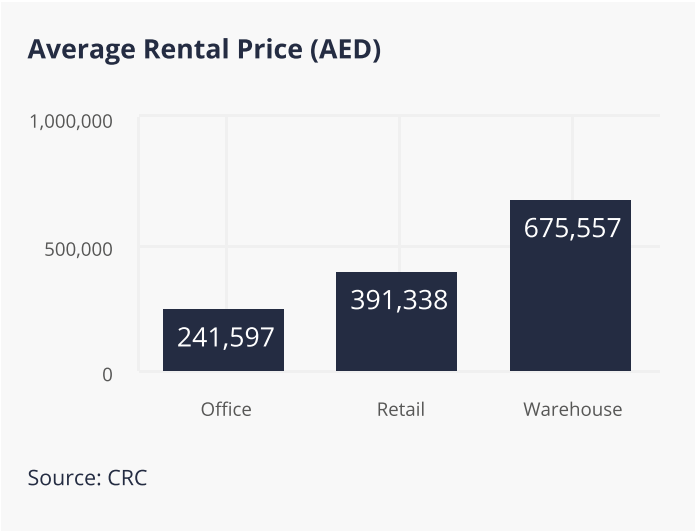
There were differing trends in leads for different property types:

- Office leads increased by 17%, indicating a stronger interest or marketing focus in office spaces, as also seen in CRC's sales transactions.
- Retail leads declined by 7%, suggesting a decrease in demand or market interest in retail properties during Q2 2024.

Average Rental Prices

The average rental prices for different property types experienced significant changes:

- The average rental price for Offices rose to AED 241.6k, reflecting an increase of 15% from Q2 2023. This could indicate higher demand or premium pricing for office spaces.
- Retail properties saw a substantial increase in average rental price to AED 391.3k, marking a notable rise of 58%. This suggests strong demand or strategic pricing adjustments in the retail sector.
- Warehouse properties also experienced a considerable increase in average rental price, reaching AED 675.6k, up by 88%. This indicates significant market demand or adjustments in leasing strategies for warehouse spaces.



Market Outlook

The UAE's appeal as a safe-harbour destination is attracting start-ups, entrepreneurs, and investors, particularly from regions experiencing economic stagnation and instability. With the nation's population projected to reach 10 million within the next two years, the UAE saw a 0.8% population growth and a 2.5% increase in employment in 2023. This surge in population and employment is anticipated to drive demand for infrastructure and, consequently, stimulate growth in the broader real estate sector.

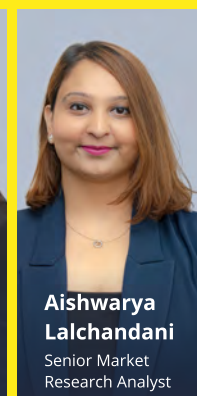
Looking ahead, we expect the market to bounce back stronger in the coming months as the region recovers from the recent historic rains and as people return from the Eid holidays. The temporary dip in market activity due to these disruptions is likely to be offset by renewed vigor and heightened interest in real estate transactions. With a stable economic outlook and increasing demand for commercial properties, the UAE real estate market is poised for robust growth.



About CRC

CRC (Commercial Real Estate Consultants) is a real estate brokerage, specialised in commercial properties. Founded by some of the most innovative thinkers in the real estate business, CRC caters to international and local clients seeking increased value by selling, leasing or investing in commercial property.

Our team



With a team of over 50 property experts, we understand the commercial real estate business. Our consultants are handpicked and trained to the highest standards to represent our brand and your interests professionally.

As part of the well established Betterhomes group, CRC is an integral part of Dubai's real estate history, with over 36 years of industry experience. The group has grown over the years and diversified with several brands under its name, ranging from boutique real estate agencies, such as LivingAscot. and Linda's.

Leveraging best-in-class technology and support, we provide comprehensive options to strategic direction - now and long into the future. Whether you are looking to buy, sell, or lease a commercial property, get a property valuation, or find an investment advisor, we are here for you.

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