CUSHMAN & WAKEFIELD | CORE

ABU DHABI MARKET UPDATE

YTD 2024

Better never settles

RESIDENTIAL MARKET SNAPSHOT

YTD 2024

RESIDENTIAL DELIVERIES

1,950

Total residential units expected over remainder of 2024

TOTAL HANDOVERS

2,431

Units handed over till Aug 2024

VILLA HANDOVERS

46%

of all units handed over YTD 2024 were villas (1,116 units)

APARTMENT HANDOVERS

54%

of all units handed over YTD 2024 were apartments (1,315 units)

RESIDENTIAL SALES PRICES

9%

Year-on-year rise in city-wide residential sales prices

RESIDENTIAL RENT PRICES

15%

Year-on-year rise in city-wide residential rent prices

VILLA YIELD

5.1%

Gross villa yield

APARTMENT YIELD

6.8%

Gross apartment yield

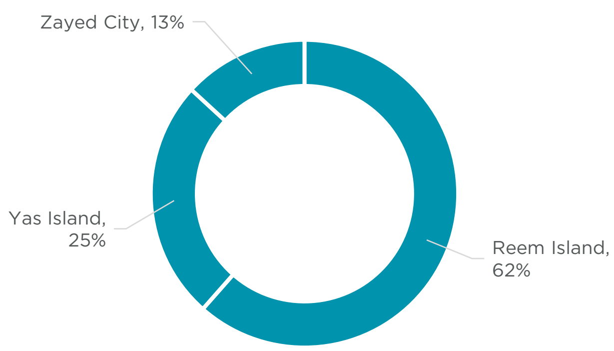
RESIDENTIAL **SUPPLY**

Yas Island and Al Maryah Island are witnessing the major share of new residential handovers.

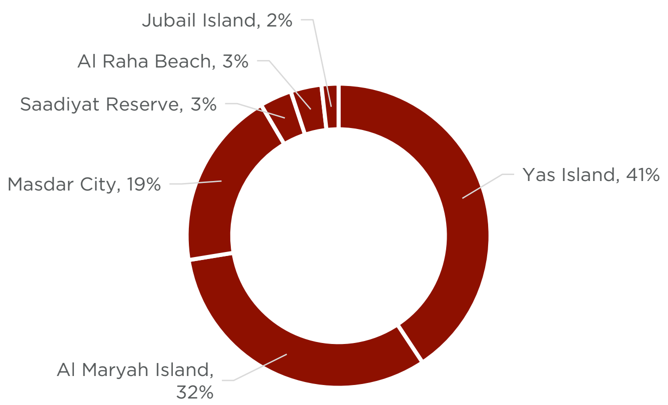
Year to date 2024, a total of 2,431 units have been handed over, including 1,315 apartments in Al Raha Beach, Al Maryah Island, and Masdar City, as well as 1,116 villas in Jubail Island, Yas Island, and Saadiyat Reserve. An additional 1,950 units are anticipated for handover later this year, bringing the total for 2024 to approximately 4,300 units, with the majority of upcoming deliveries expected in Reem Island and Yas Island.

Notable new project announcements in Q2 2024 included Elie Saab Branded Residences (174 units) by Ohana Real Estate Development in Al Reem Island, Bab Al Qasr Residence 25 by Burtville in Yas Island,Olvera (288 units) by Bloom Properties in Bloom Living (Khalifa City) and Al Fahid Island project (about 4,000 units) by Aldar, which is a waterfront development between Yas Island and Saadiyat Island.

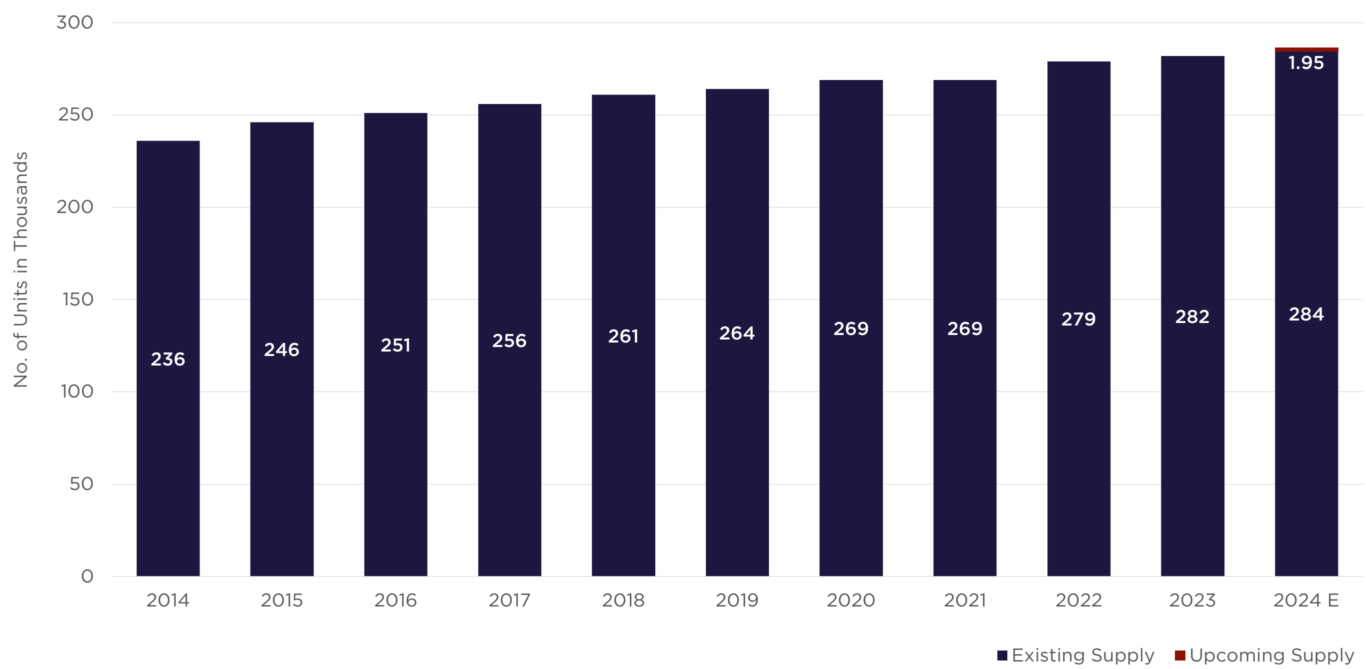
Upcoming Residential Supply 2024



Supply Delivered by Area - YTD 2024



Residential Deliveries in Abu Dhabi 2014 - 2024



Source: Cushman & Wakefield Core Research, REIDIN, Dari

RESIDENTIAL **TRANSACTIONS**

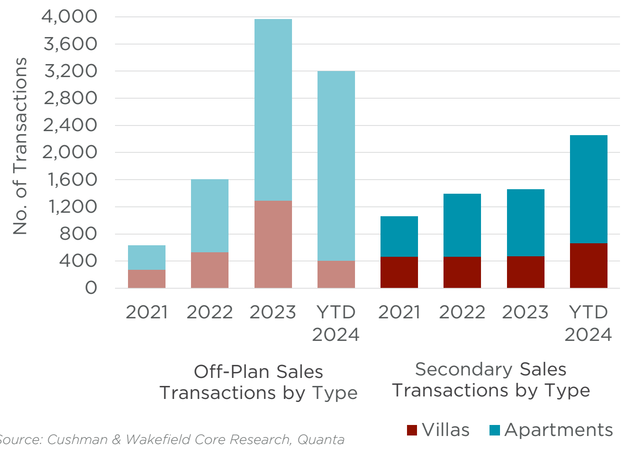
Secondary market transaction volumes continue to see steady growth.

Although off-plan transactions still make up a significant portion of total volumes, there has been a shift in demand towards existing properties in YTD 2024. Ready property transactions increased by 54% compared to the same period in 2023, reflecting a growing share of end-user buyers seeking ready-to-move-in homes.

On the other hand, off-plan sales transactions saw a decrease of 19% YTD 2024 compared to the same period in 2023. This is due to limited launches of new projects and lower launch volumes.

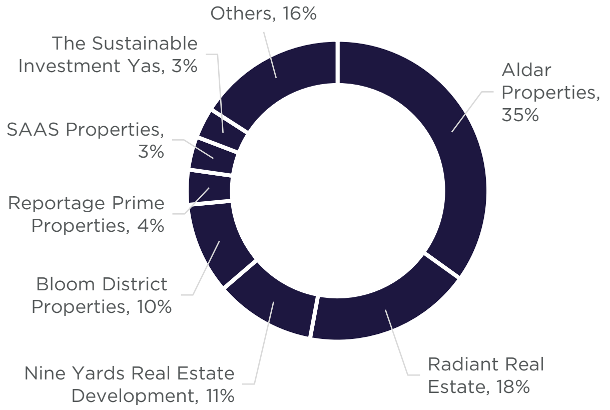
Aldar dominated the off-plan market accounting for 35% of the total transactions followed by Radiant Real Estate with 18% and Nine-Yards Real Estate with 11%. Aldar Properties led the secondary sales market as well with 40% of the total transactions, followed by Tamouh Investments at 9% and Manazel at 5%.

Residential Sales Transactions Trends

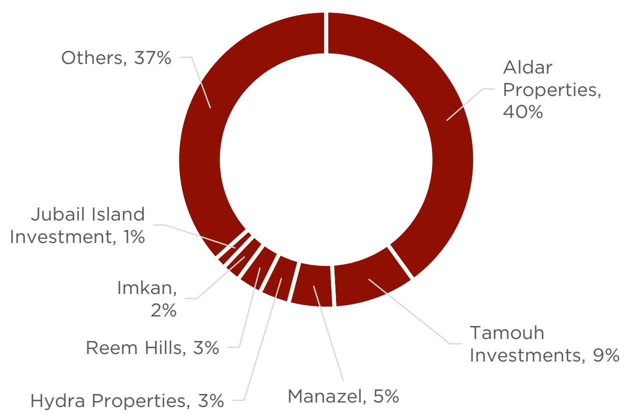


Source: Cushman & Wakefield Core Research, Quanta

Off-Plan Market Sales Transactions by Developers - YTD 2024



Secondary Sales Transactions by Developers - YTD 2024



Source: Cushman & Wakefield Core Research, Quanta

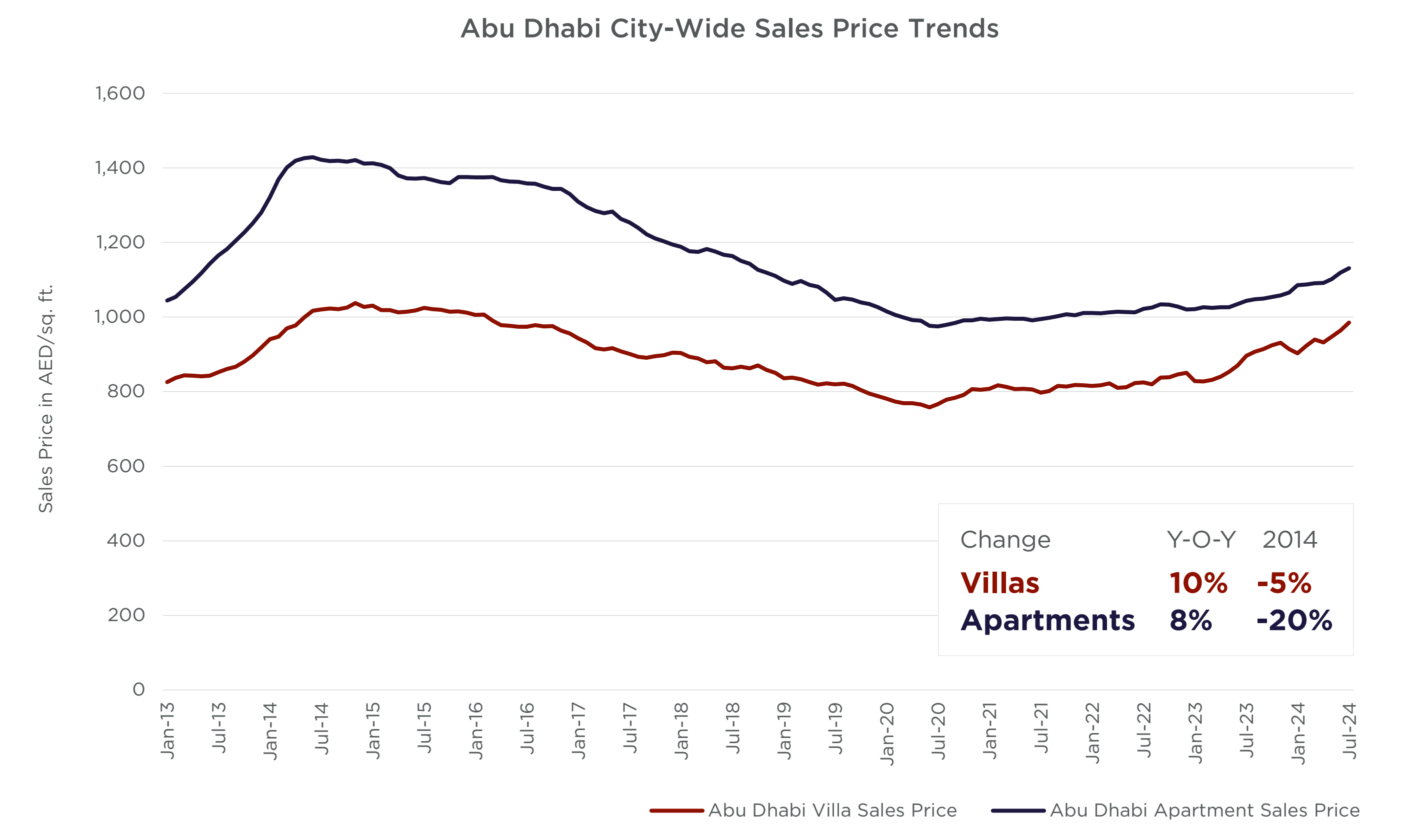
RESIDENTIAL
SALES PRICES

City-wide sales prices displayed a steady year-on-year growth.

In Abu Dhabi, both villa and apartment sales prices have experienced steady year-on-year growth, with villa prices displaying a more noticeable upward trend in recent quarters.

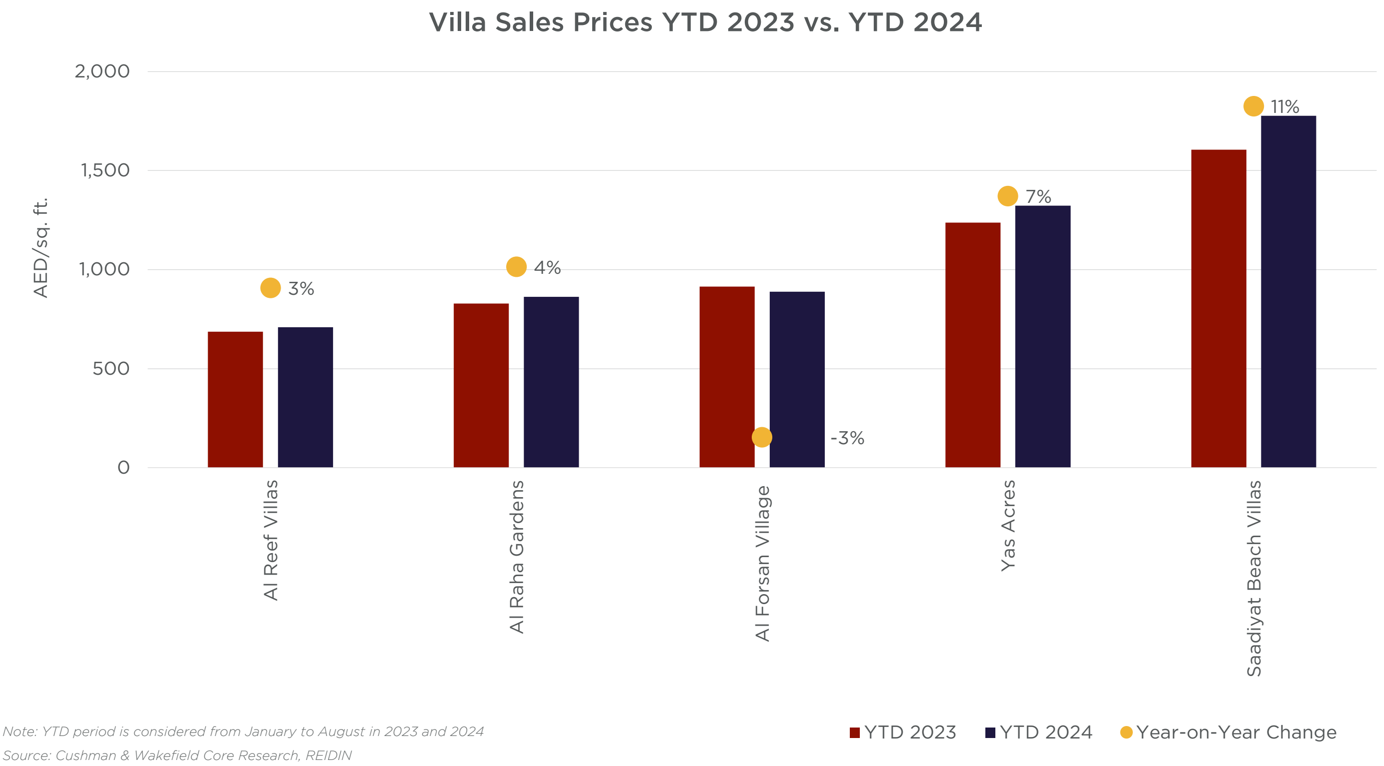
The villa market continues to outperform the apartment market in terms of price increases, recording a 10% rise in villa sale prices, while apartment prices saw a more moderate increase of 8%.

Apartments in Saadiyat Island experienced a significant 30% increase highlighting a robust demand for luxury apartments in this ultra-prime location, followed by Yas Island and Reem Island which experienced a notable increase of 17% and 9% respectively. Villas in Saadiyat Beach Villas witnessed a significant increase of 11%, followed by Yas Acres which witnessed an increase of 7%, indicating a continued demand for luxury villas in these areas.



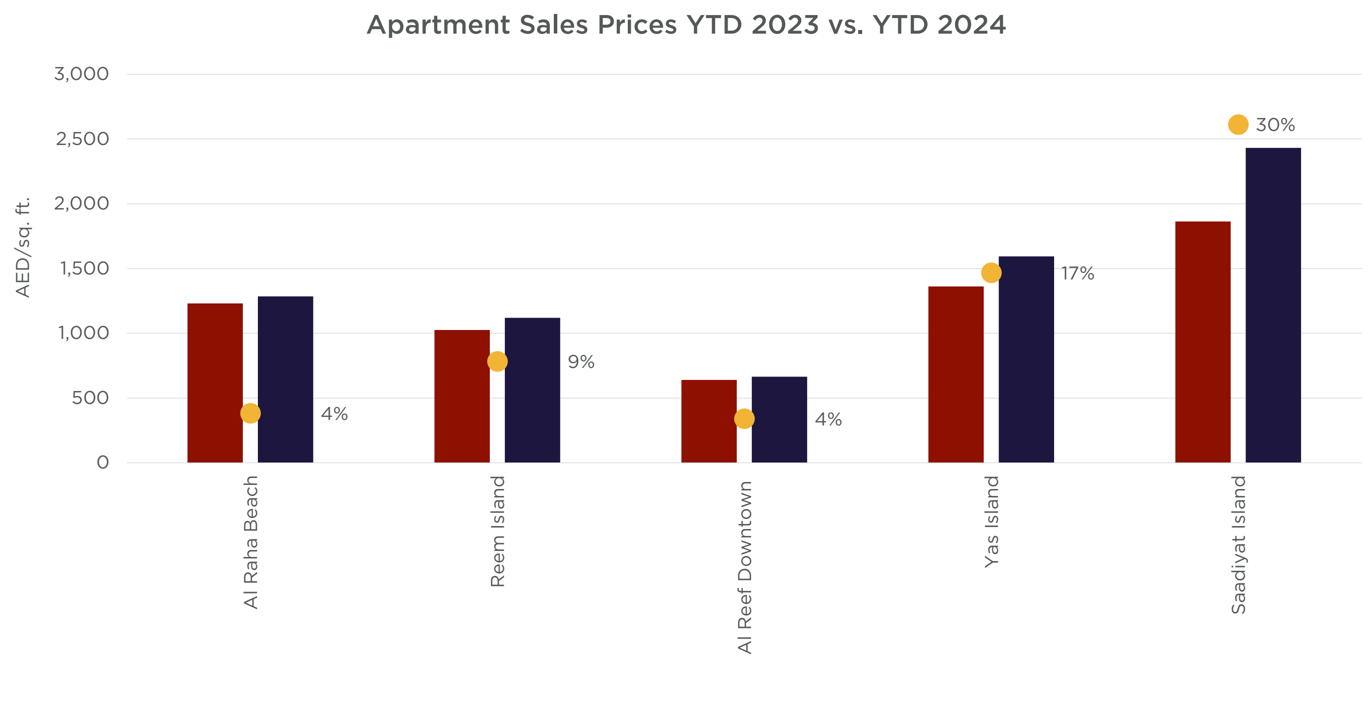
Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL
SALES PRICES



Note: YTD period is considered from January to August in 2023 and 2024

Source: Cushman & Wakefield Core Research, REIDIN



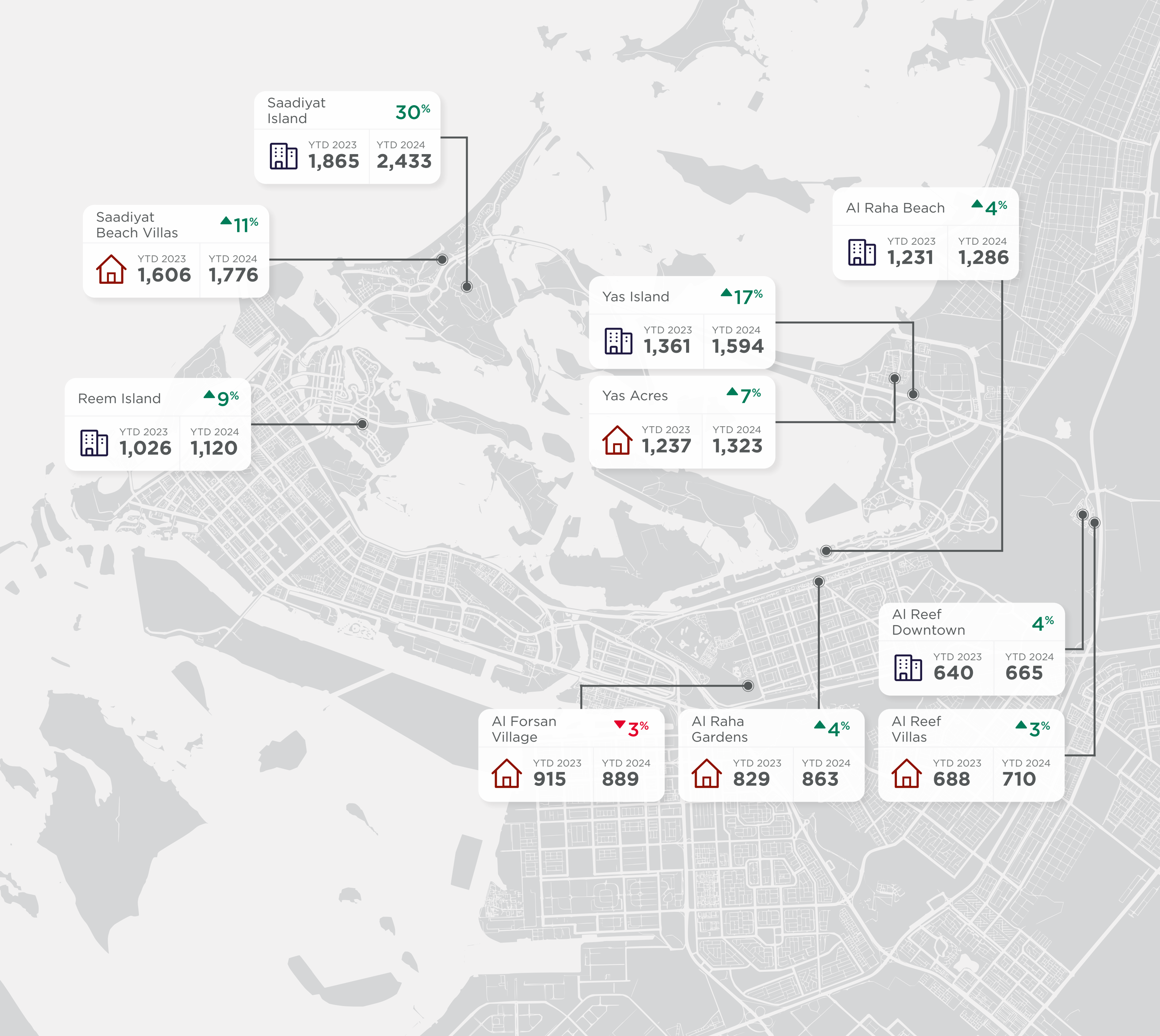
Note: YTD period is considered from January to August in 2023 and 2024

Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL
SALES PRICES (AED/sq. ft.)

YTD 2023 vs. YTD 2024

- Villas
- Apartments
- Year-on-Year Change



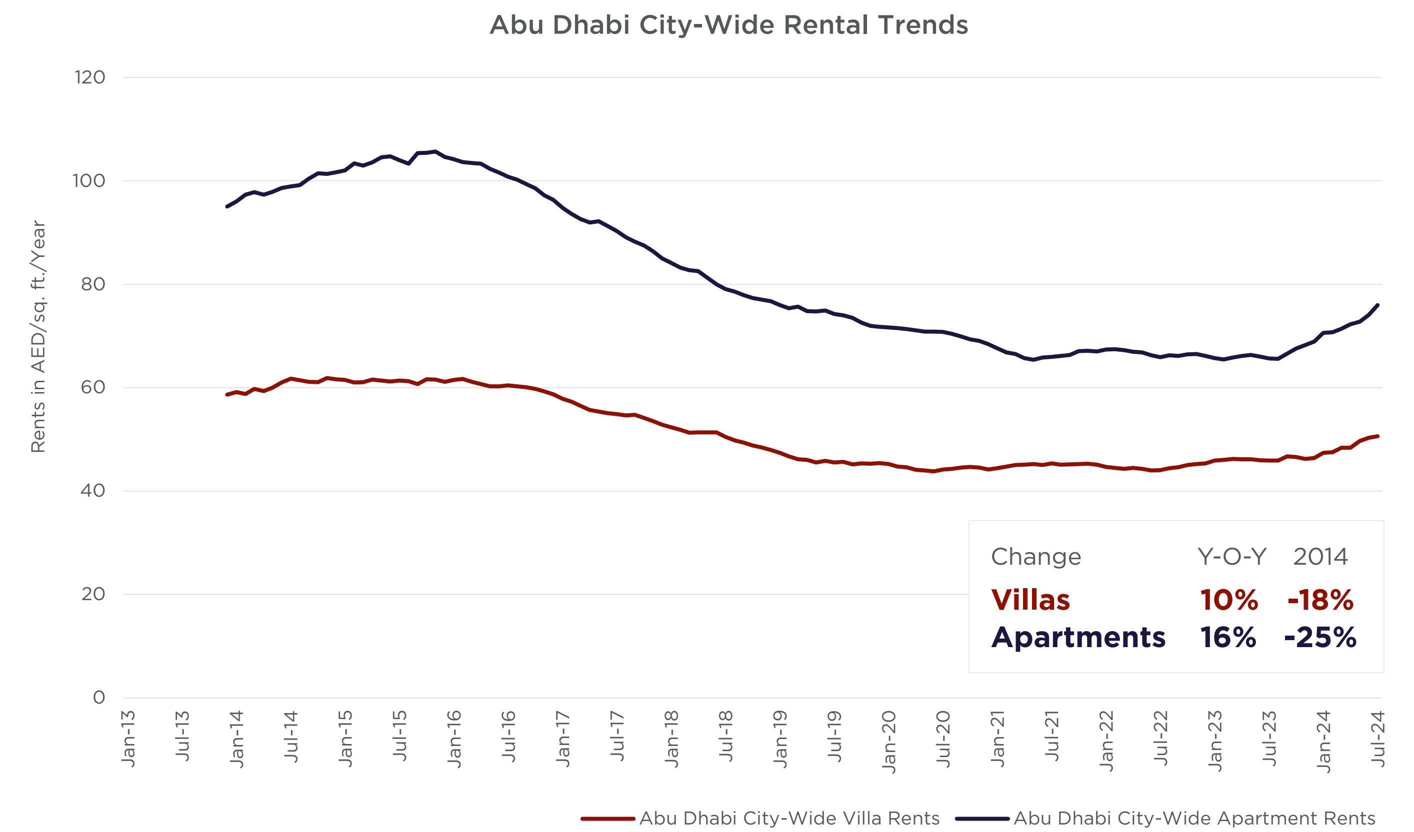
RESIDENTIAL
RENT PRICES

City-wide rents are rising at a faster rate than sales prices, leading to a compression in yields.

The rental market in Abu Dhabi saw strong growth in rents with villas rising to 10% and apartments to 16% as compared to the previous year.

Villas in Saadiyat Island had a significant rental increase of 14% followed by Yas Acres with 13% and Al Reef Villas with an 8% rise. In the apartment districts we track, Yas Island witnessed the highest increase of 15% in rental prices followed by Saadiyat Island at 14% and Reem Island at 12% increases.

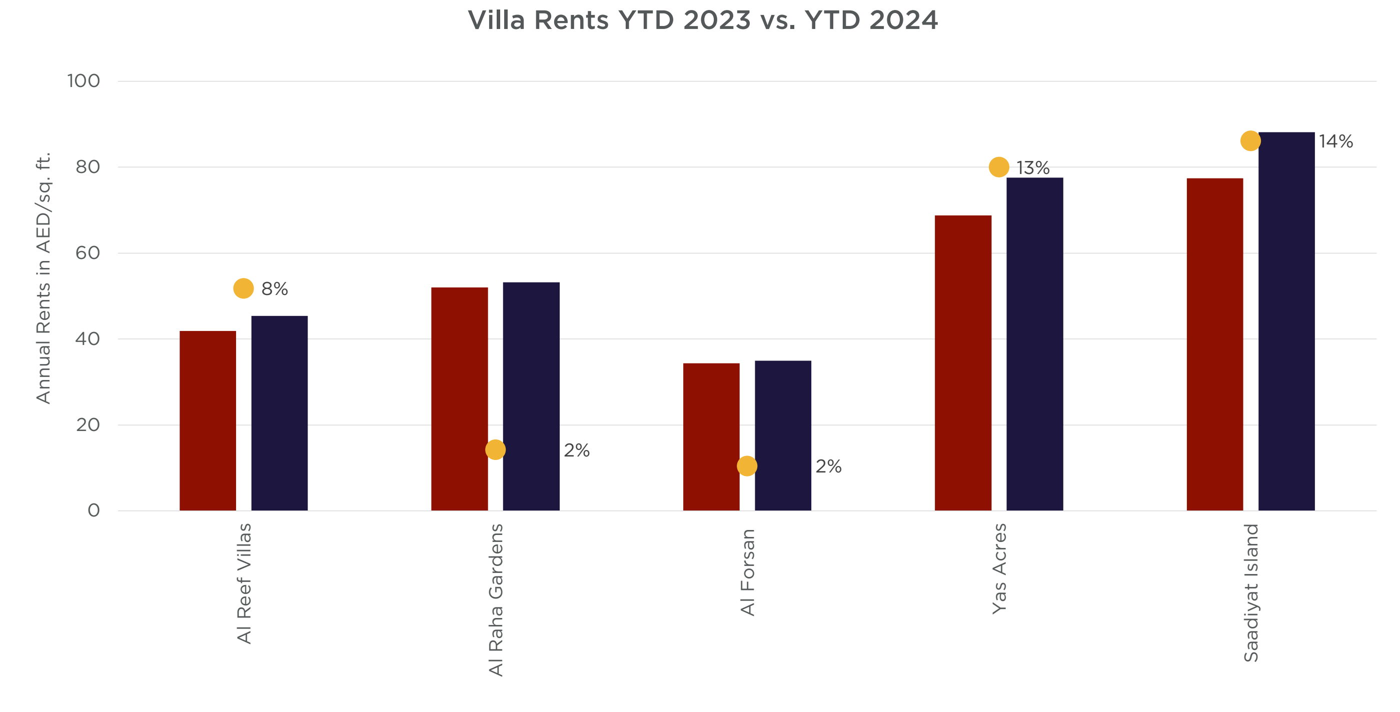
Areas like Yas Island are becoming more desirable for tenants, driving rental increases, while established luxury communities like Saadiyat Island are leading rental market growth.



Change	Y-O-Y	2014
Villas	**10%**	**-18%**
Apartments	**16%**	**-25%**

Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL
RENT PRICES



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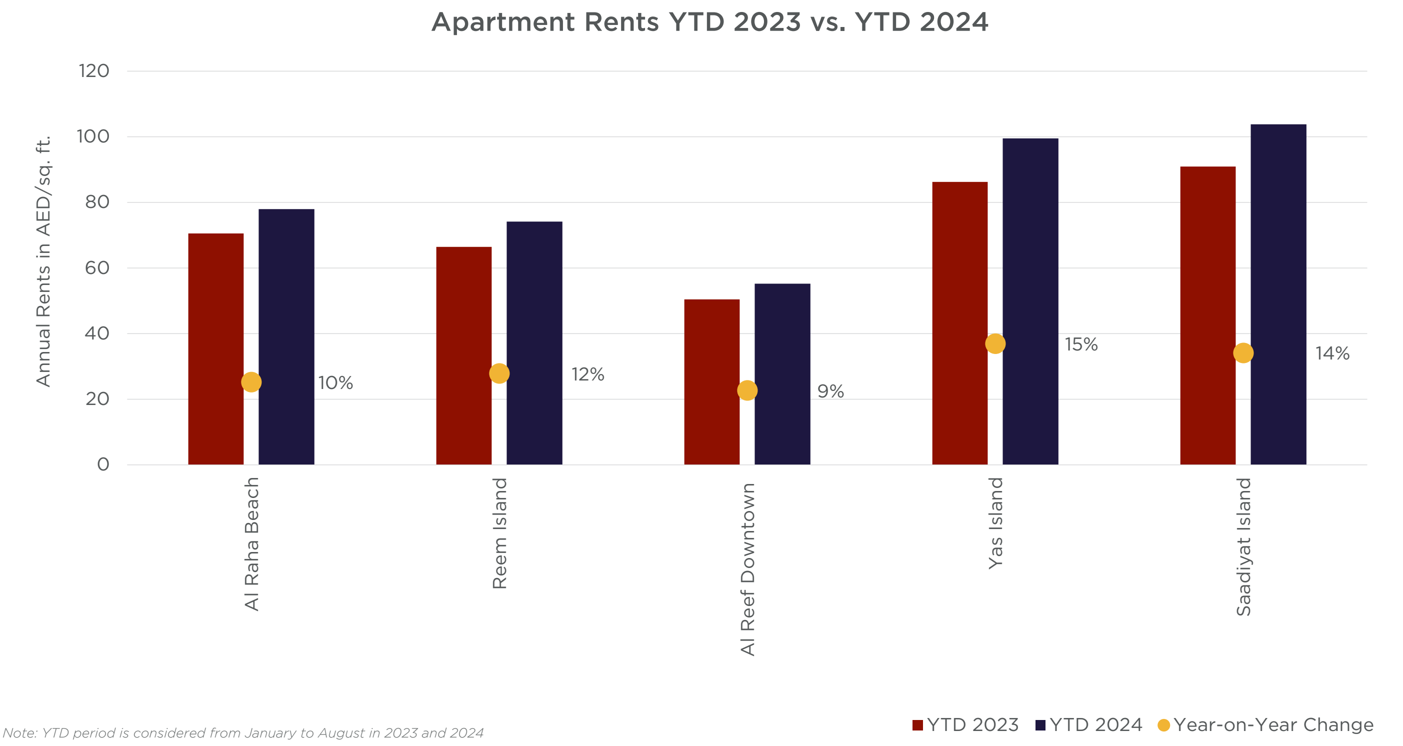
Source: Cushman & Wakefield Core Research, REIDIN



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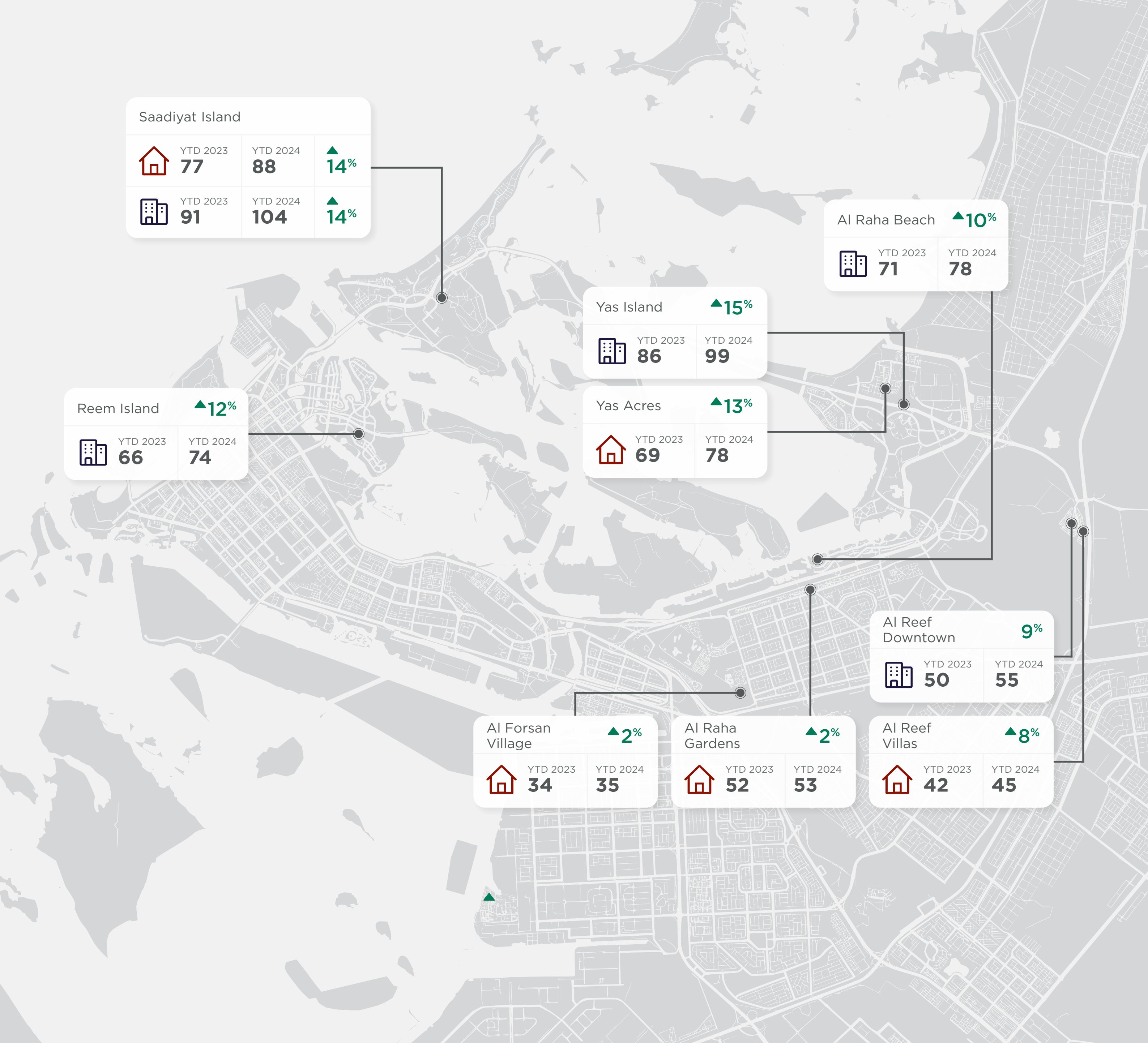
Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL
RENT PRICES (AED/sq. ft.)

YTD 2023 vs. YTD 2024

- Villas
- Apartments
- ▲ Year-on-Year Change



Saadiyat Island

	YTD 2023	YTD 2024	Change
Villas	77	88	▲14%
Apartments	91	104	▲14%

Al Raha Beach ▲10%

	YTD 2023	YTD 2024
Apartments	71	78

Yas Island ▲15%

	YTD 2023	YTD 2024
Apartments	86	99

Reem Island ▲12%

	YTD 2023	YTD 2024
Apartments	66	74

Yas Acres ▲13%

	YTD 2023	YTD 2024
Villas	69	78

Al Reef Downtown 9%

	YTD 2023	YTD 2024
Apartments	50	55

Al Forsan Village ▲2%

	YTD 2023	YTD 2024
Villas	34	35

Al Raha Gardens ▲2%

	YTD 2023	YTD 2024
Villas	52	53

Al Reef Villas ▲8%

	YTD 2023	YTD 2024
Villas	42	45

OFFICE MARKET SNAPSHOT

YTD 2024

EXISTING NLA

4.05 Mn sq. m.

Total existing office NLA as of YTD 2024

CITY-WIDE OCCUPANCY

88%

City-wide office occupancy across building grades

UPCOMING NLA

48k sq. m.

Upcoming office NLA by end of 2024

(Masdar City Square in Masdar City)

OFFICE RENT PRICES

15%

Year-on-year rise in city-wide office rents

MARKET OVERVIEW

Abu Dhabi's office market is currently at over 4.05 million sq. m., with Prime and Grade A stock accounting for nearly 30% of the total stock while the Grade B and C category account for nearly 70% of the remainder stock.

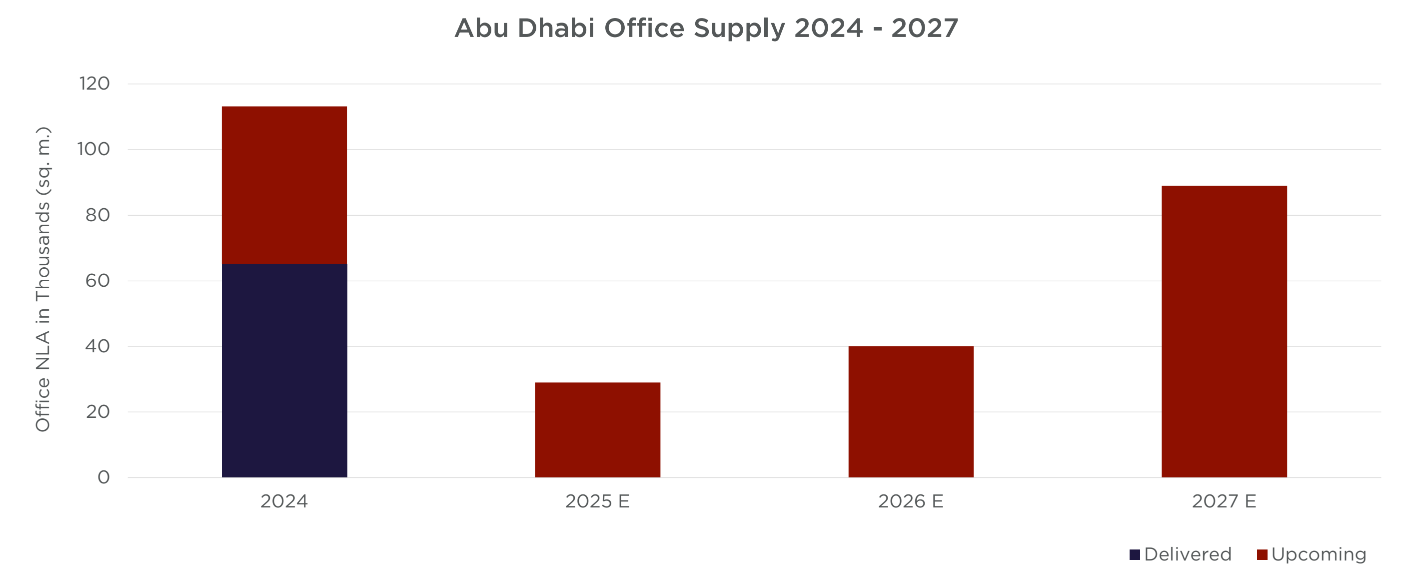
The market is witnessing a noticeable imbalance between supply and demand, particularly in the Prime and Grade A segments.

Due to scarcity, prime office spaces are performing exceptionally well with occupancy rates around 95%. Leasing rates for Prime office buildings range between AED 1,950 to AED 2,800 per sq. m. annually, depending on size and location. Similarly, Grade A offices are experiencing strong demand, with occupancy levels above 90% and annual rents ranging from AED 1,600 to AED 1,900 per sq. m.

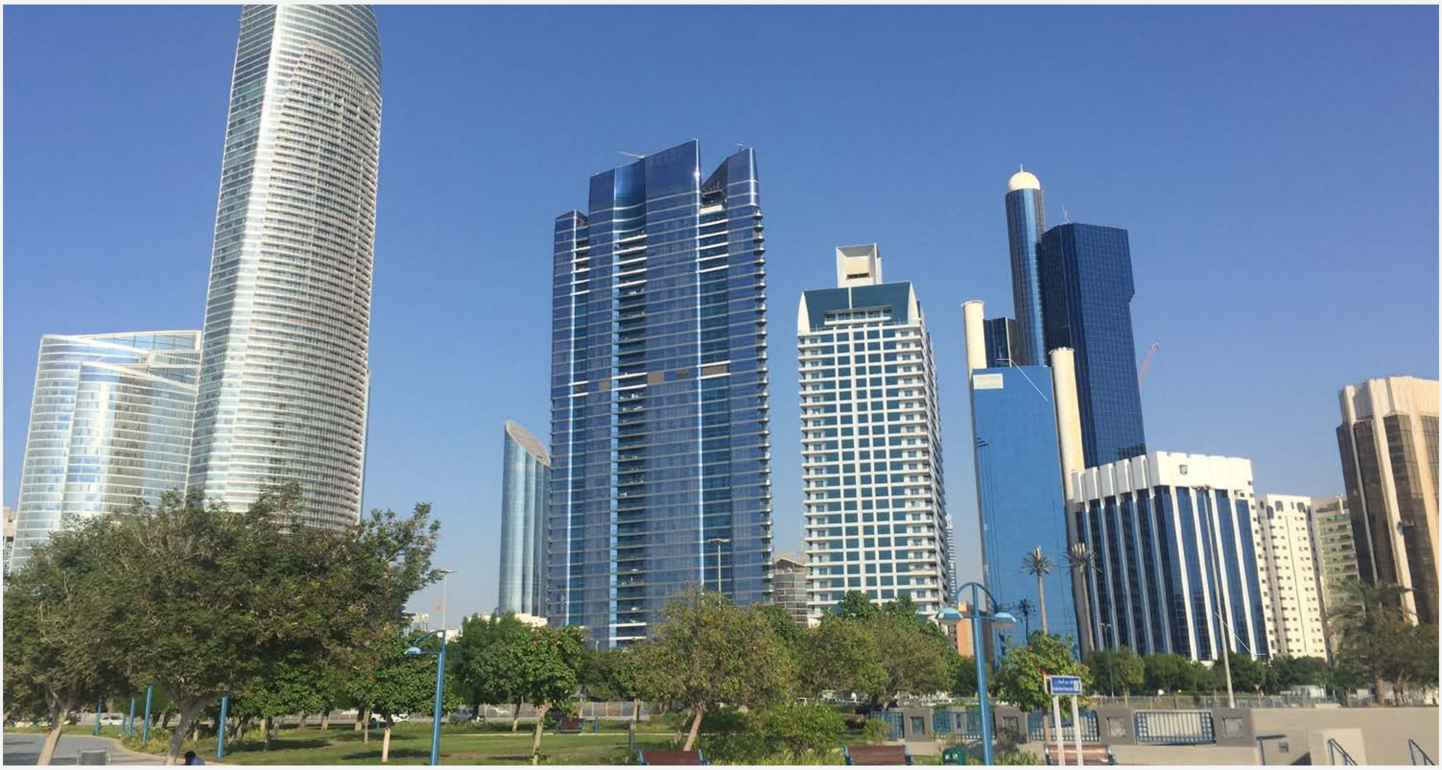
OFFICE
SUPPLY

Most of upcoming office supply is focused on the Prime and Grade A market.

Significant additions to the market include the completion of the Al Maryah Tower in ADGM, which delivered 34,000 sq. m. of Grade A office space in Q2 2024. Office buildings within Capital Centre, Al Raha Beach and Danet contributed a combined 31,000 sq. m. of secondary market office space, and Masdar City Square is expected to be handed over by end of 2024. Looking ahead, the SAAS Business Tower on Reem Island, slated for completion in Q1 2025, will provide an additional 12,000 sq. m. of Grade A office stock.



Source: Cushman & Wakefield Core Research



OFFICE **DEMAND**

Sectoral Demand and Trends

Abu Dhabi has seen a significant diversification in demand in the last few years, with new entrants stemming from the financial sector, particularly those requiring ADGM licenses, in areas like Al Maryah and Reem Island.

The Banking and Financial sectors remain dominant, contributing to 27% of overall demand, followed by the Oil and Gas sector at 21%. Sectors such as healthcare, artificial intelligence, government, security, and defence are also witnessing significant growth in demand.

There is a growing trend of tenants upsizing and relocating due to limited expansion space in existing buildings, though consolidation activities remain minimal. Government and semi-government entities continue to show steady demand, particularly for Grade A offices, where fitted spaces are preferred.

Rise of Flexible Working Spaces and Geographic Preferences

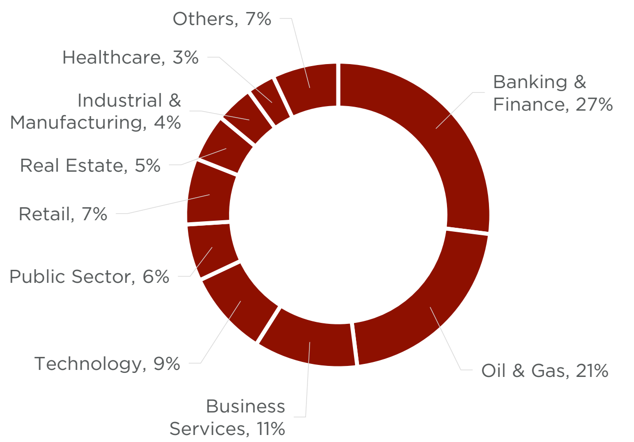
The demand for flexible working environments in serviced offices is accelerating, with current operators expanding their footprint and new players absorbing large spaces as confidence in the market grows.

Abu Dhabi's eastern suburbs, including Al Raha Island and Yas Island, are gaining popularity due to their strategic connectivity with Dubai and proximity to residential areas, offering reduced commuting times for employees. Additionally, Masdar City is attracting tenants from the technology, healthcare, and research sectors, reinforcing its position as an innovation hub.

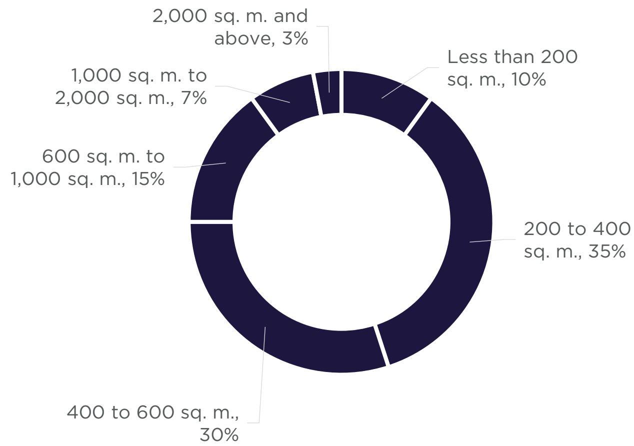
Demand for Office Sizes

There is a notable demand for medium-sized office spaces, with 35% of inquiries for spaces between 200 to 400 sq. m., followed by 30% for offices between 400 to 600 sq. m. Smaller offices under 200 sq. m. account for 10% of inquiries, while larger office spaces see fewer inquiries. Specifically, 15% of inquiries are for spaces between 600 to 1,000 sq. m., 7% for 1,000 to 2,000 sq. m., and only 3% for offices over 2,000 sq. m.

New Office Enquiries by Sector YTD 2024



Abu Dhabi Office Enquiries by Size YTD 2024



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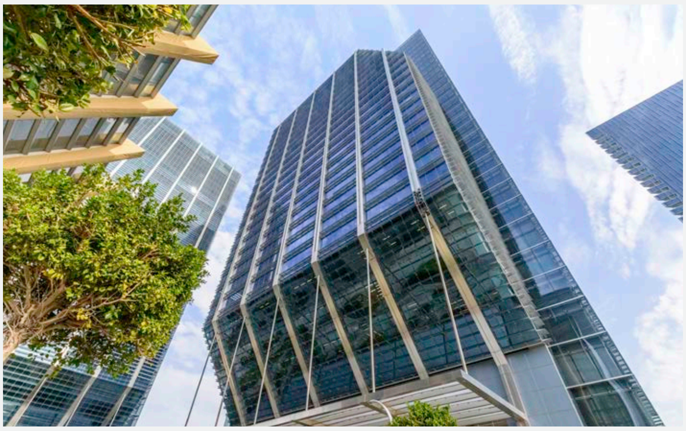


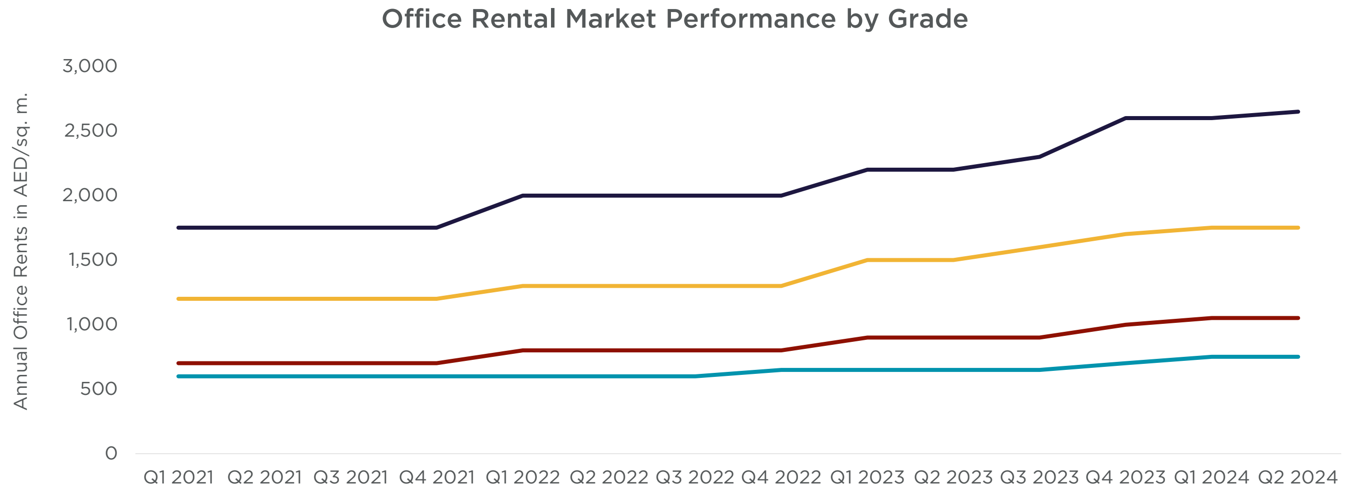
OFFICE **RENTS**

Office Market Continues to See Rental Increases

Prime office spaces in Abu Dhabi have experienced a consistent rise in rental rates, with occupancy levels reaching between 90% and 95%. Abu Dhabi Global Market (ADGM) has been a primary driver of this upward trend.

Grade A office properties have mirrored this pattern, with strong absorption in key mainland areas such as Al Raha and Capital Centre. Notably, Landmark Tower demonstrated impressive leasing momentum in 2024, attributed to proactive management initiatives, resulting in the successful leasing of multiple floors to a range of occupiers.

In central locations like Reem Island and Khalifa Park, Grade B office spaces have attracted significant demand due to their competitive pricing, and they are now nearing full occupancy. In contrast, Grade C office stock has shown minimal rental growth, remaining stable. The outdated nature, poor maintenance, and limited parking options of Grade C properties render them less appealing to tenants, even at lower rental levels.



Source: Cushman & Wakefield Core Research

The rental market has exhibited the following trends:

- **Prime Offices:** Rental rates saw steady growth over recent years, with a sharp increase in Q1 2024 before stabilising in Q2 2024. The average price now stands at AED 2,650 per sq. m., with prices remaining steady year-to-date in 2024.
- **Grade A Offices:** These properties also experienced significant rental growth, reflecting strong demand.
- **Grade B and C Offices:** While these segments saw a more moderate increase, the demand for Prime and Grade A office spaces remains notably higher.

OFFICE **RENTS**

Tenant and Landlord Sentiment

Tenant confidence in Abu Dhabi remains strong, reflecting the resilience of the local economy and the positive outlook for the office market. While fitted office spaces are the preferred choice for tenants, limited availability is driving tenants to allocate capital expenditure (CAPEX) for fit-outs in shell and core spaces, demonstrating tenants' appetite to invest, as more companies look to expand.

A growing number of tenants are turning to serviced office solutions as a temporary measure while they await the availability of traditional office spaces. Abu Dhabi City continues to be a key location for various sectors, particularly oil and gas, while Abu Dhabi Global Market (ADGM) remains a prime destination for financial institutions.

On the other hand, it is a landlord-friendly market due to the scarcity of available office space, particularly in the Grade A segment. Rental rates for Grade A properties have increased significantly, leaving limited room for incentives. While rent-free periods may still be available, flexibility on rent terms and CAPEX contributions are minimal, prompting many tenants to explore Grade B and C properties.

Fitted office spaces, especially in Grade A and B buildings, are highly sought after and rarely remain vacant for long. Additionally, as buildings approach full occupancy, the availability of parking is becoming a critical factor for tenants, making properties with substantial parking facilities particularly attractive.

MARKET OUTLOOK

Looking ahead, the office market is expected to see continued expansion, with over 340,000 sq. m. of new supply entering the market between now and 2027. These upcoming developments, including Yas Place in Yas Island, The Link in Masdar City and SAAS Business Tower in Reem Island will provide tenants with a wider range of office options, helping to alleviate current supply constraints. As the market continues to evolve, developers and landlords should prioritize offering fitted office spaces and serviced office solutions to meet the growing and changing needs of tenants.

Overall, the competitive landscape for office space in Abu Dhabi is set to persist, driven by a combination of strong tenant demand, a thriving economy, and the expansion of key industries.

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