CUSHMAN & WAKEFIELD | CORE

ABU DHABI MARKET SNAPSHOT

2022

ABU DHABI
MARKET SNAPSHOT 2022

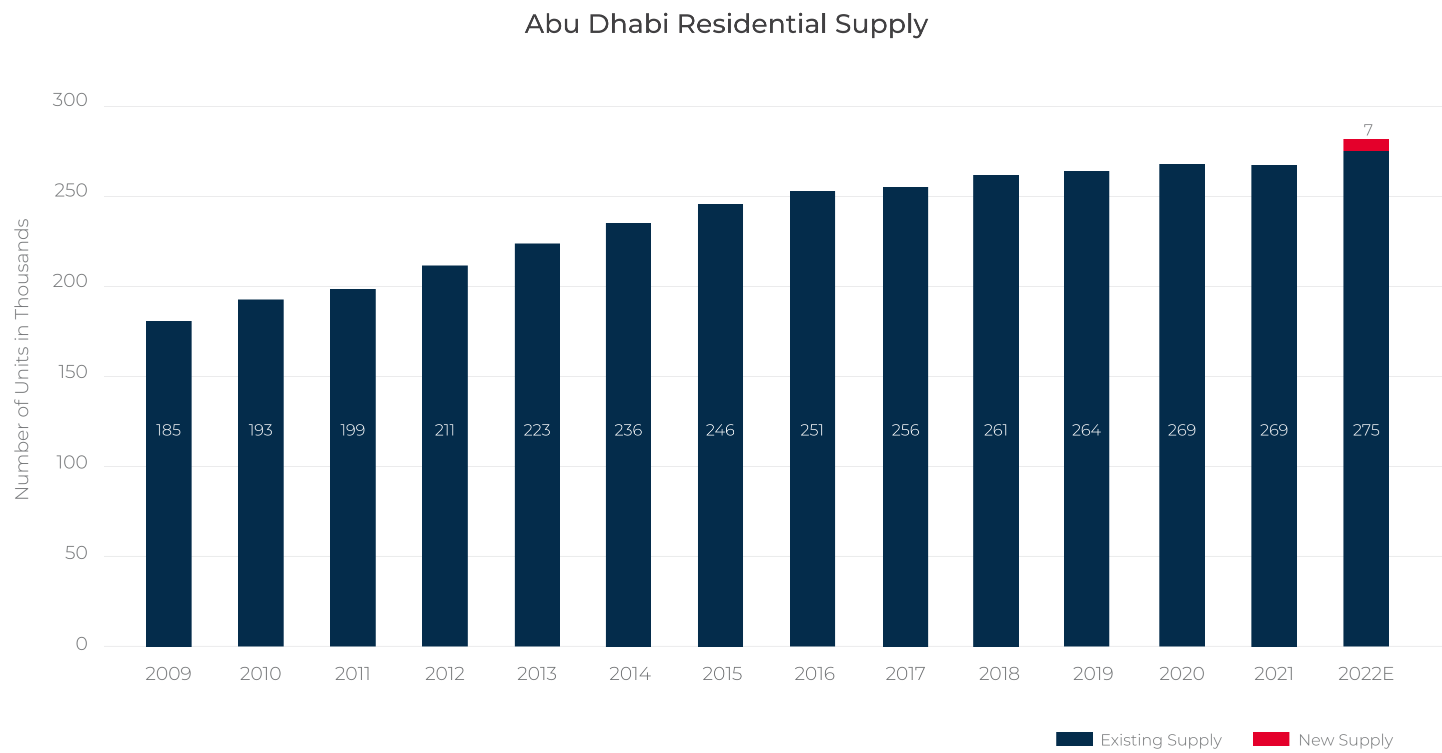
Following a modest recovery in 2021, the Abu Dhabi market is expected to see a steady 2022

- Market confidence in Abu Dhabi is considerably high in the wake of a favourable economic environment, revival in tourism numbers, successful vaccine program and the recent scaling back of COVID-19 restrictions. However, most price recovery was witnessed over the last 12-18 months, with the market currently in a stable phase.
- Current high oil prices, if sustained, are expected to positively impact Abu Dhabi's economy. However, inflation, a stronger dollar, and multiple rises in interest rates are expected to be down-side risks.
- Continued inward investment with key investment deals including Apollo Global Management's $1.4 billion investment in Aldar Properties PJSC demonstrates increased global investment interest in the maturing Abu Dhabi Market.
- Furthermore, the announcement of full foreign ownership for specific businesses affirms the government's keenness to attract more direct foreign investments by promoting an open and flexible business environment, and bolstering Abu Dhabi's position on the global investment map.

ABU DHABI
RESIDENTIAL MARKET SUPPLY

Relatively lower levels of supply handovers and steady demand help market recovery

- A total of 6,000 residential units were delivered in 2021 and approximately 7,000 units are expected to be delivered in 2022.
- Most of the supply in 2021 was delivered in Al Reem Island, Yas Island and Al Raha Beach areas. Prominent handovers in 2021 include Mayan and Waters' Edge in Yas Island, Sham's Reflection in Al Reem Island, Al Raha Lofts in Al Raha Beach and Al Ghadeer Phase 2.
- The villa market in Abu Dhabi remains relatively undersupplied with very limited new deliveries expected in 2022. However, over 2023 and 2024, prime villa projects in Saadiyat and Jubail Island are expected to be delivered.
- Prominent apartment projects expected in 2022 are One Reem Island, Reem 5 & Reem 9, Mariyah Vista 2, Aldar Reflection 2 and Pixel Towers.



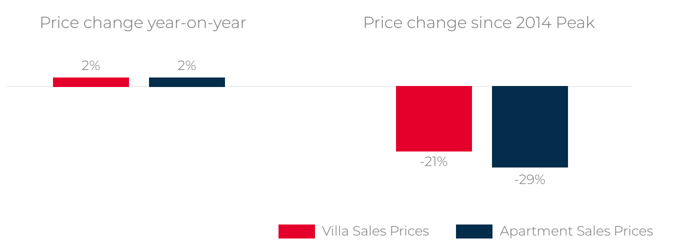
Source: Cushman & Wakefield Cushman & Wakefield Core Research

ABU DHABI RESIDENTIAL MARKET
SALES MARKET

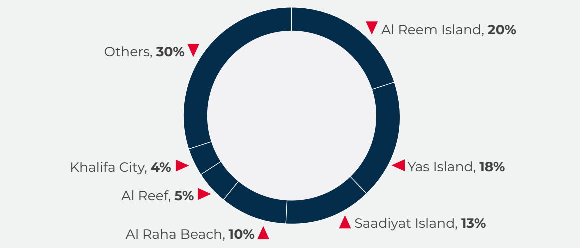
Modest sales price growth witnessed in apartment and villa districts alike

- While COVID-19 led lifestyle changes and need for larger spaces have helped villa district performance, price rises have been modest and similar for city-wide apartment and villa districts in Abu Dhabi. Most recovery happened during Q3-Q4 2020, with city-wide sales prices remaining relatively flat with just a 2% rise year-on-year.
- Due to a large number of handovers in Al Reem Island, there is a relative oversupply of apartments. However, it remains a preferred apartment district witnessing strong off-plan sales and, with the expected delivery of Al Reem Mall in 2022, a growing leisure hub.
- Noya and Al Ghadeer phase 2 are gaining popularity amongst investors and end-users. Saadiyat Island, however, remains the most popular prime villa district witnessing the highest year-on-year price rises due to its beach-front lifestyle, premium stock, and nearness to a range of amenities.
- Water's Edge and Maker's district are prime options for luxury apartments while Masdar City and Al Reef are popular for affordable apartments.
- In 2021, off-plan sales activity was stronger compared to 2020 with Aldar reporting record sales. Al Raha, Saadiyat Island, Yas Island, Al Reem Island are the most popular districts in terms of sales activity.
- In the off-plan market, most buyers are UAE and GCC nationals who are looking for long-term capital appreciation, while expat investors remain relatively limited.

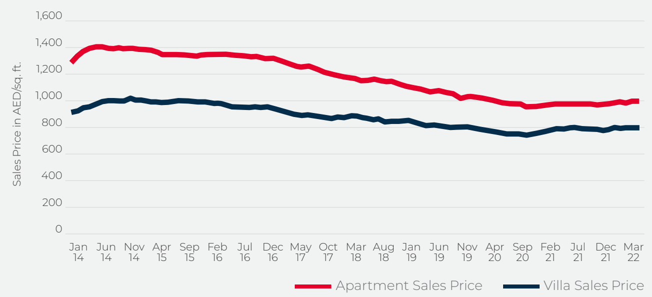
Abu Dhabi City-Wide Sales Price Change



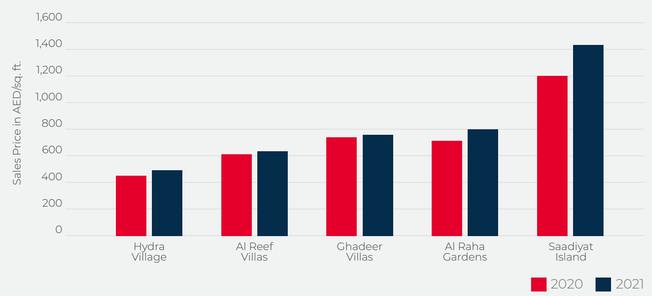
Residential Sales Enquiries by Area



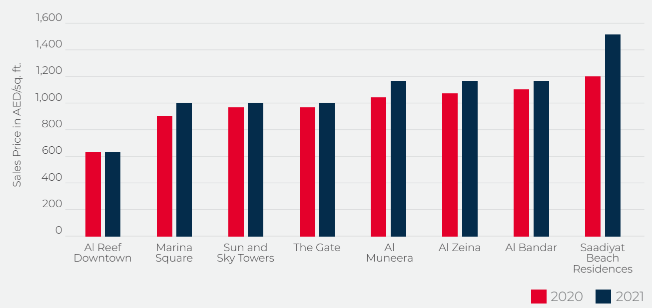
Abu Dhabi Sales Price Trends



Average Villa Sales Price 2020 vs. 2021



Average Apartment Sales Price 2020 vs. 2021



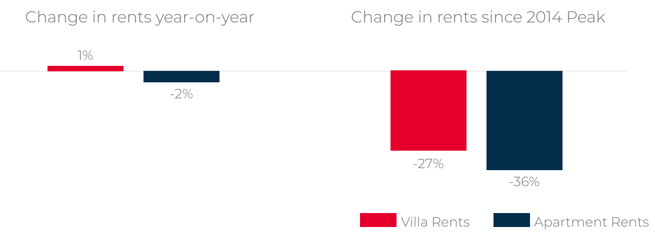
Source: REIDIN, Cushman & Wakefield Core Research

ABU DHABI RESIDENTIAL MARKET
RENTAL MARKET

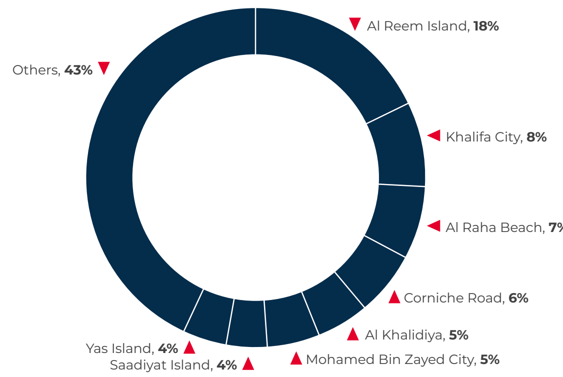
Rents recovering at a slower pace compared to the sales market

- The rental market also gained upward momentum in 2021, with citywide villa rentals witnessing a marginal 1% year-on-year rise. Although an improvement in performance compared to sharper drops in previous years, apartment rents saw a 2% decline due to a relative oversupply.
- While the shift for villas continues, competitively priced apartments remained popular in central locations. It should also be noted that new superior built properties on Al Reem Island and in Al Raha Beach, although offered at above-average market rates, are achieving strong absorption.
- While the recovery is gradual, improvements in rental rates recorded in 2021 are expected to continue in 2022.
- Landlords continue to lure tenants by offering rent-free periods and other flexibile incentives.

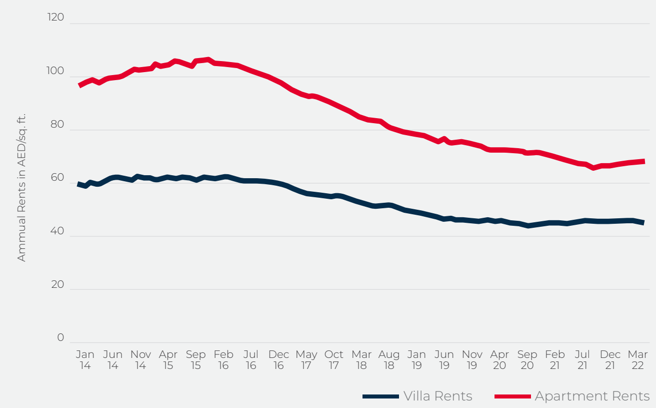
Abu Dhabi City-Wide Rental Change



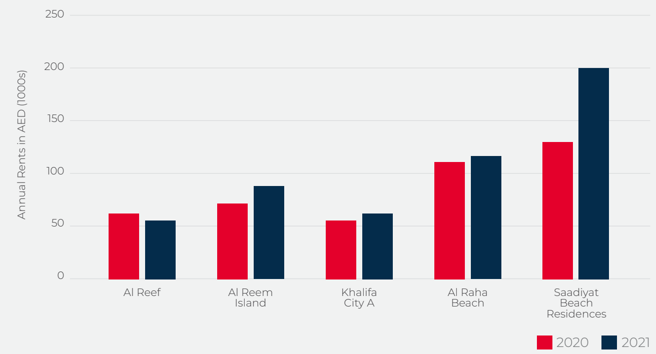
Residential Rental Enquiries by Area



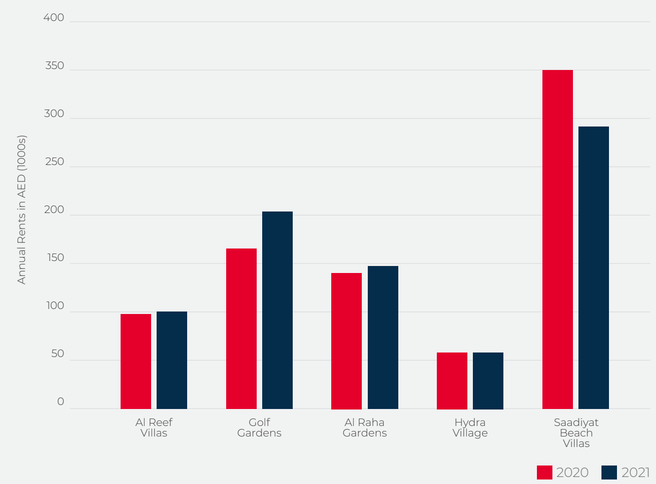
Abu Dhabi Rental Trends



Annual Rentals for 2 Bedroom Apartments



Annual Rentals for 3 Bedroom Villas



Source: REIDIN, Cushman & Wakefield Core Research

ABU DHABI
OFFICE MARKET

SUPPLY

- 28,000 sq. m. of new office supply was delivered during 2021.
- We expect Khalifa Park to see nearly 25,000 sq. m. of secondary market fitted office space come to market.

With the majority of workforce having now returned to the office and renewed business confidence, demand for office space is increasing across all building grades

- Prime Grade A rents in Abu Dhabi Global Market (AGDM) remain stable due to attractive freezone incentives and occupiers are willing to pay a premium in order to enjoy the benefits of British common law and occupy prime office space.
- As the flight to quality over 2020 and 2021 improved occupancy levels in Grade A offices, headline rents also witnessed a slight increase. However, these high occupancy rates and steady headline rents are now pricing out a majority of occupiers who remain cost-conscious.
- Grade A in secondary areas and Grade B stock saw a nominal increase in rents as office occupiers who relocated to Grade A offices during 2020 left fitted offices in place which have been absorbed during 2021 at competitive rental levels.
- Grade C building rents stabilised, however, we foresee further downward pressure on rents in this office class as occupiers relocate and expand into Grade B fitted spaces.
- Flexibility continues to be key with serviced offices remaining popular for start-ups and new market entrants. Demand for flexible offices in branded serviced offices has led to existing operators looking to expand and tenants favouring the flexibility of shorter lease term commitments.

Rents, fitted spaces, flexibility and parking remain key drivers

- The 100% foreign ownership law has driven FDI into Abu Dhabi with considerable activity witnessed from technology sector with larger domestic local demand-driven by semi-government entities.
- Most enquires received are from banking and finance, technology, industrial, logistics and healthcare occupiers with the majority of requirements ranging from 150 to 400 sq. m.
- Strong demand for good quality fitted space in well-managed buildings, which remain short in supply, are witnessing strong absorption.
- Headline rents are still a key driver, with a preference for fitted and furnished space as tenants are unwilling to commit to full CAPEX for shell and core or CAT A space.
- Al Reem Island remains popular due to its location and convenient accessibility to Abu Dhabi City. We are also seeing more enquires for smaller spatial requirements in the Al Raha and Yas areas as they are closer to residential suburbs for staff and ease of access to and from Dubai.

Segmentation in office performance

- Occupancy levels increased in Grade A offices from 75% to 79% and rents rose by 5% due to limited supply and a move from flight to quality during 2020-2021.
- Grade B properties are growing in popularity due to their value proposition and availability of fitted options, however, Grade C occupancies continue to decline.

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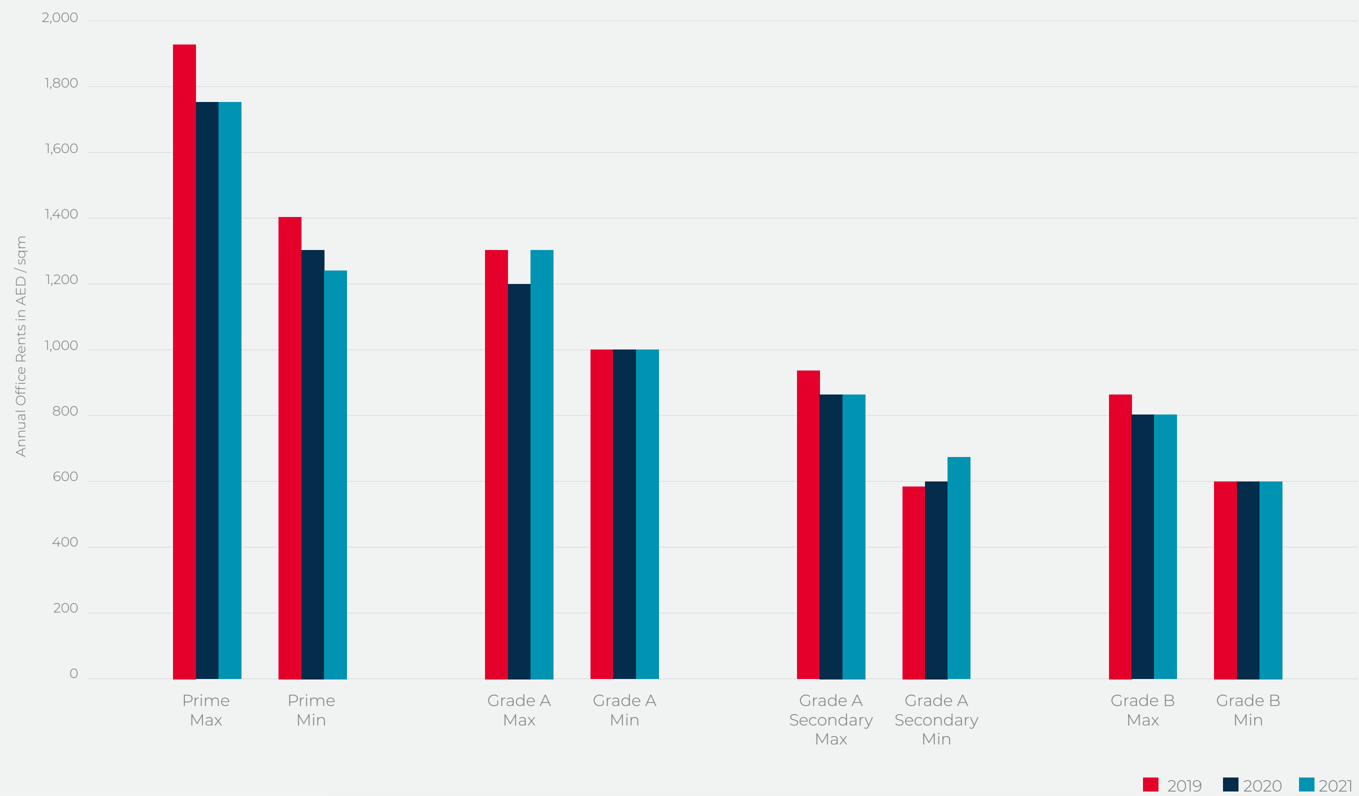
ABU DHABI OFFICE MARKET
RENTAL TRENDS



Source: Cushman & Wakefield Core Research

ABU DHABI
INDUSTRIAL MARKET

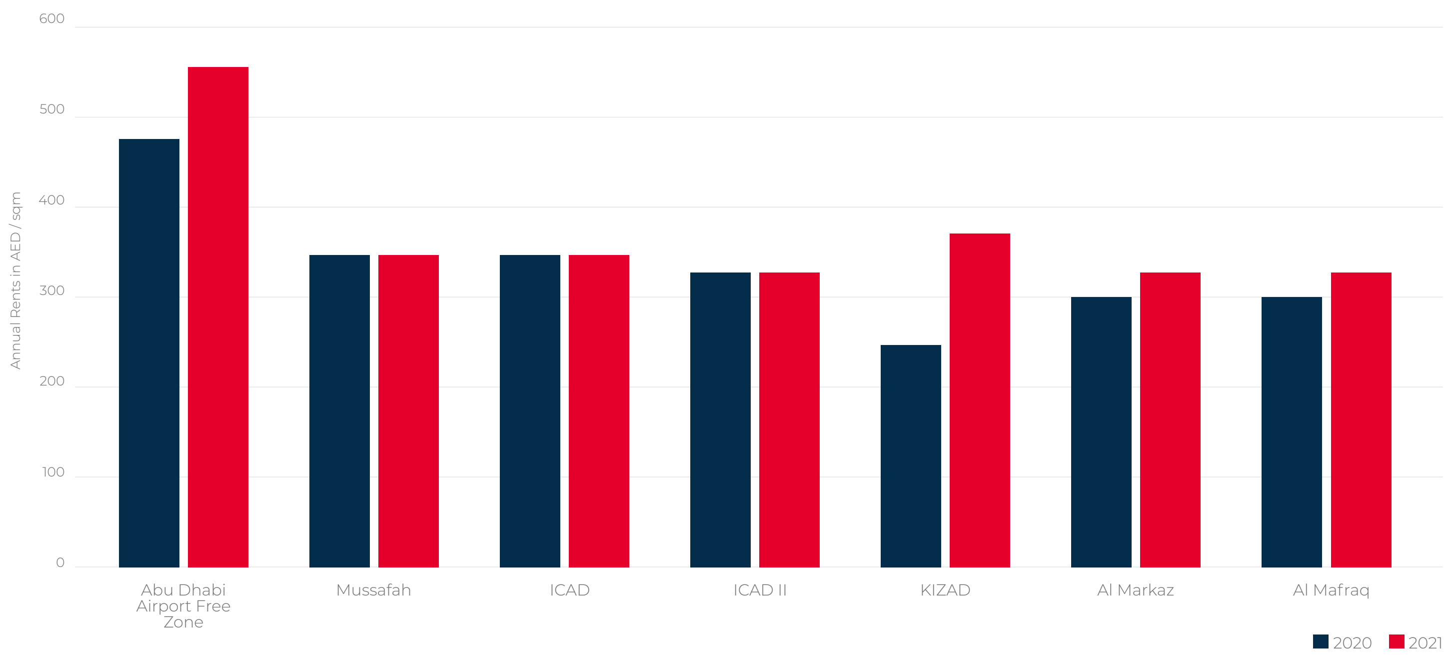
The industrial and warehousing sector continues to see a robust performance with COVID-19 led E-commerce disruption along with the renewed focus on manufacturing driving demand in Abu Dhabi.

- The pandemic gave new impetus to e-commerce and logistics sectors in Abu Dhabi with a surge in demand for last-mile deliveries and temperature-controlled warehousing.
- The concept of dark stores is gaining popularity with many dark store operators looking to increase market presence in Abu Dhabi with an average inquiry ranging from 200-400 sq. m.
- The manufacturing sector has also witnessed strong demand with many spatial enquires ranging from 2,000-5,000 sq. m.

Limited availability for quality warehousing supply remains an issue.

- Rents at Airport Free Zone remained the highest while rents in Mussafah and ICAD remain stable year-on-year.
- Mussafah and ICAD continue to be the most popular warehousing areas but quality supply remains a challenge. Due to limited availability in Mussafah and ICAD, more occupiers are considering relocating or expanding in Al Markaz and KIZAD (non-freezone). Lack of superior built warehousing stock that meets tenant specifications remains the most prevalent challenge.
- However, the new stock within KIZAD (non-freezone) is expected to provide support with nearly 250,000 sq. m. of international grade stock expected to be delivered in Q3 2022. With competitive rentals, eave heights and dock-levellers meeting with the tenant specifications, it is expected to see strong take-up.

Abu Dhabi Warehousing Rents 2020 vs. 2021



Source: Cushman & Wakefield Core Research

ABU DHABI MARKET OUTLOOK 2022

RESIDENTIAL

- Continued success for off-plan residential sales, especially in prime segments in Al Reem, Saadiyat and Yas Isalnd.
- Continued occupier preference for larger living spaces
- Al Reem Mall is expected to boost Al Reem Island apartment sales and rental market
- Secondary market sales prices for villas to show marginal increases
- Handovers of apartments forecast over 2022 may result in slight downward pressure on rents
- Villa rentals are expected to remain stable

OFFICE

- Fitted offices will continue to drive office demand
- We foresee Al Reem Island to remain a popular destination for office occupiers, and we expect the submarkets of Khalifa Park, Capital Centre and Al Raha to see steady demand due to convenient access to residential areas and better parking amenities
- Grade A rents are expected to remain stable due to limited supply and Grade B rents to stabilise as most fitted spaces are absorbed. Rental levels in Grade C to see further downward movement
- As most occupiers have returned to the workplace, parking remains an issue and will be a key decision driver within the downtown area

INDUSTRIAL

- Demand from E-commerce and manufacturing to continue underpinning warehousing demand in Abu Dhabi in the mid-term
- As supply becomes limited, upcoming areas such as Al Markaz and KIZAD (non-freezone), where new quality supply is expected to come to market, are expected to see most leasing activity

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