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# *Dubai* Real Estate Market Overview Q4 2012



# Macroeconomic Overview

Indicator	2010	2011	2012 (e)
<b>UAE</b>			
Population (millions)	7.51	7.89	8.11
Real GDP Growth (Y-o-Y)	1.3%	4.2%	4.2%
Consumer Price Index (% change)	0.9%	0.8%	0.8%
<b>DUBAI</b>			
Population (millions)	1.9	2.0	2.1
Real GDP Growth (Y-o-Y)	2.8%	3.4%	4.5%
Inflation (% Change)	0.55%	0.52%	n/a

Sources: IHS Global Insights (December 2012); Dubai Statistics Center 2012  
e: estimated

# Market Highlights – Q4 2012

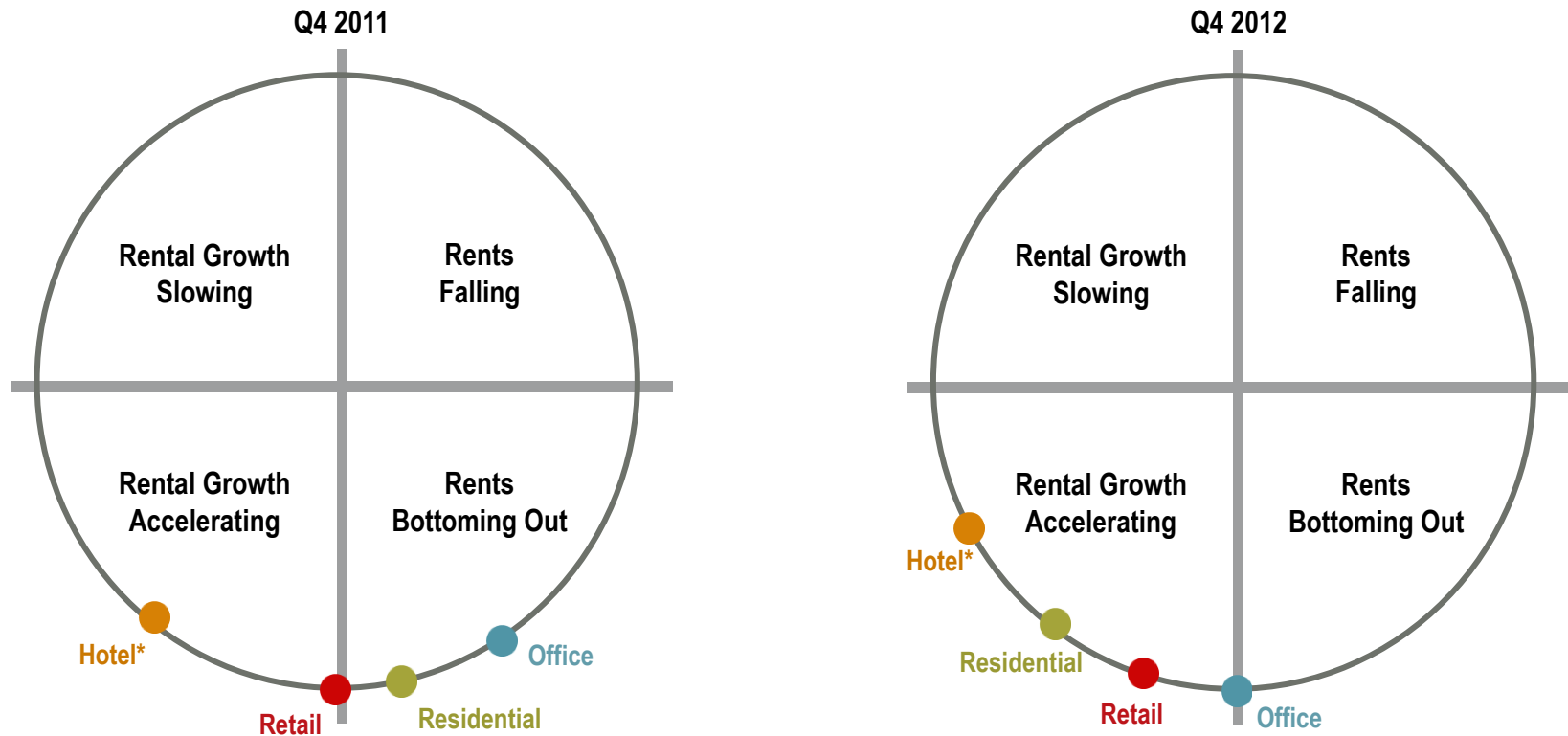
While optimism has returned to the Dubai market over the second half of 2012, the recovery has been very selective and focused on only the best quality projects, locations and developers. 2013 is likely to see a broader based recovery, but the significant levels of current vacancy and further new supply will limit the extent to which poorer quality projects and those in secondary locations will benefit.

- The Dubai **economy** has seen signs of solid recovery. Gross Domestic Product is projected to grow by 4.5% in 2012, supported by the strong performance of tourism, commerce, retail, hospitality and logistics. Political stability, world class infrastructure and high quality of life, have contributed to this growth.
- The Department of Economic Development's Business Confidence Index (BCI) for Dubai rose to 122 points in Q3, compared to 106 points in Q2. This index reflects the positive business sentiment in Dubai and expectations of improvements in sales and business volumes.
- The real estate **investment market** has remained quiet over the fourth quarter of the year with no major open market commercial transaction recorded. Despite the lack of transactions, investment sentiment in Dubai is improving. The optimistic outlook is reflected in Jones Lang LaSalle's latest Investment Sentiment Survey, which shows investors from the region perceive Dubai as the preferred market.
- Prime rents for **office** space in the CBD remained unchanged in Q4, while secondary rents continued to face downward pressure. Demand remains driven by occupiers' consolidation and upgrades. With activity starting to pick up towards the end of the year, there remains the potential for rental growth in 2013, but this growth will be limited to a few prime office buildings with high occupancy rates.
- The overall **residential** market has recorded a positive year, with the villa market continuing to outperform the apartment sector. Prime projects in well established locations continue to see improved performance, but secondary locations are still suffering from rental and pricing declines as tenants relocate to new high quality projects.
- Demand remains strong for **retail** space in the best performing super-regional malls (eg: Dubai Mall, Mall of the Emirates), resulting in improved prime rents at AED 4,900 / sq m. The two-tier market continues, with older malls witnessing subdued demand from consumers and retailers, resulting in a wider gap between primary and secondary centres.
- The **hotel** sector has performed well throughout 2012, supported by strong tourist arrivals and the opening of a number of branded hotel chains. This is reflected by an improvement in occupancy rates to 77% (year to November) compared to 74% in the same period of 2011, as well as an increase in both Average Daily Rates (ADRs) and Revenue Per Available Room (RevPar). This positive trend is set to continue in 2013.

# Talking Points – Q4 2012

- On the back of improving sentiment and stronger fundamentals, a series of new large-scale projects have recently been announced. One of the most significant is Mohamad Bin Rashid City (MBRC) to be developed jointly by Emaar and Dubai Properties. This new city will include the world's biggest shopping mall (Mall of the World), a Universal Studios franchise, hotel facilities and a large public park. It is designed to attract 35 million visitors annually. The project was initially launched back in 2008 but has been revised since then.
- The first project within MBR City has already been launched. Dubai Hills is a gated golf course community, which will feature luxury residences on plots of 1,900 to 2,800 sq m.
- Another mega project that has been announced recently is an AED 10 billion entertainment complex in Jebel Ali, featuring five theme-parks. The project will be developed by Meraas and the first phase is due to be delivered by 2014.
- The world's tallest hotel, JW Marriott Marquis, has opened its first phase, which consists of 804 rooms out of the total of 1,608 to be delivered. The hotel has a height of 355 meters, a total of 82 storeys and includes the largest celebration hall in the Middle East. The second phase of the hotel is currently under construction and is due for completion in 2014.
- The fourth phase of Madinat Jumeirah has been approved and is anticipated to be completed by 2015. The AED2.5 billion project will include a five-star hotel, a villas complex, restaurants, retail stores and a pedestrian precinct.
- Construction work on the USD408 million Business Bay Canal project is expected to start in early 2013. The project, which consists of a 2.8km canal extending Business Bay to the Arabian Gulf, is expected to be completed in two years.
- Al Maktoum International Airport will start business aviation operations in early 2013 while the commercial passenger facility is scheduled to open later in the year. The airport, located at Dubai World Central (DWC), has a capacity for 160 million passengers and 12 million tonnes of cargo. It is anticipated to be the largest airport in the world once completed.
- Dubai International Airport is projected to reach a new record by handling more than 57 million passengers in 2012. The world's fourth busiest international airport handled over 50 million passengers in 2011. This growth reflects the robust tourism sector and the continued expansion of local airlines.
- According to figures from the Dubai Statistics Center, Jebel Ali Free Zone (JAFZA) is the Middle East's largest free zone, accounting for around 20% of Dubai's economy and almost 13% of its labor force. JAFZA houses around 6,700 companies and 170,000 employees.
- On December 31<sup>st</sup> the UAE Central Bank announced new limits on loan to value ratios for all mortgages of 50% for expatriates and 70% for Emiratis. This new measure aims to control rising prices and prevent another property bubble in Dubai, similar to that which occurred in 2007/8. The new guidelines are likely to reduce demand in the residential sector and slow the recovery of prices in 2013.

# Dubai Prime Rental Clock Q4 2011 – Q4 2012



\*Hotel clock reflects the movement of RevPAR.

Note: The property clock illustrates where Jones Lang LaSalle estimate each prime market is within its individual rental cycle as at end of relevant quarter.

Source: Jones Lang LaSalle



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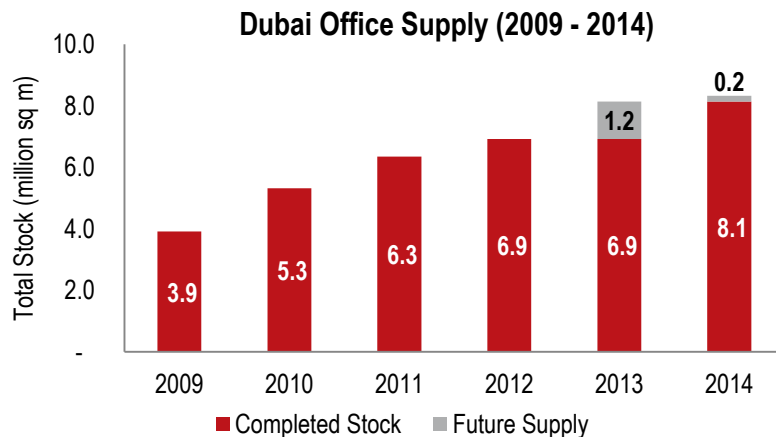
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# Dubai *Office* Market Overview

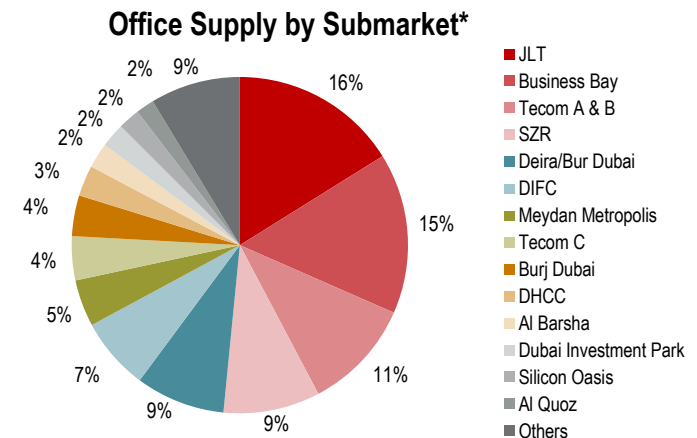


# Office Supply & Demand

- As at the end of 2012, the total office stock within areas monitored by JLL stood at approximately 6.9 million sq m.
- Around 104,000 sq m of new space was delivered in Q4, including the completion of two office buildings in Business Bay, Latifa Tower on SZR and the Standard Chartered Building in Downtown.
- The total office space completed in 2012 stood at 570,000 sq m, 45% less than completions in 2011. As a number of projects have been delayed at the final completion stage, there remains around 1.2 million sq m of additional supply that could complete in 2013. In reality, the future supply pipeline is likely to be somewhat lower.
- Almost 50% of the future office supply in 2013/14 will be in Business Bay. Other locations that are expected to see new projects are Dubai World Central, JLT, SZR, DIFC and Silicon Oasis.
- The majority of the existing office stock (approximately 52%) is concentrated in onshore locations while the remaining 48% is located in free zones. A number of companies are taking advantage of the less stringent restrictions in free zones to relocate to offshore areas.
- Demand remains highest for single ownership buildings in prime locations. Single ownership represents around 58% of the existing office stock with the remaining 42% in strata title buildings. Vacancies in strata space in locations such as TECOM C, JLT and Business Bay, remain much higher than those in the CBD.
- Demand continues to come from occupiers consolidating their activities and is strongest for Grade A office space of 700 sq m to 4,000 sq m in prime locations. Financial and Professional Services firms account for almost 70% of total active tenant demand.



Source: Jones Lang LaSalle, Q4 2012



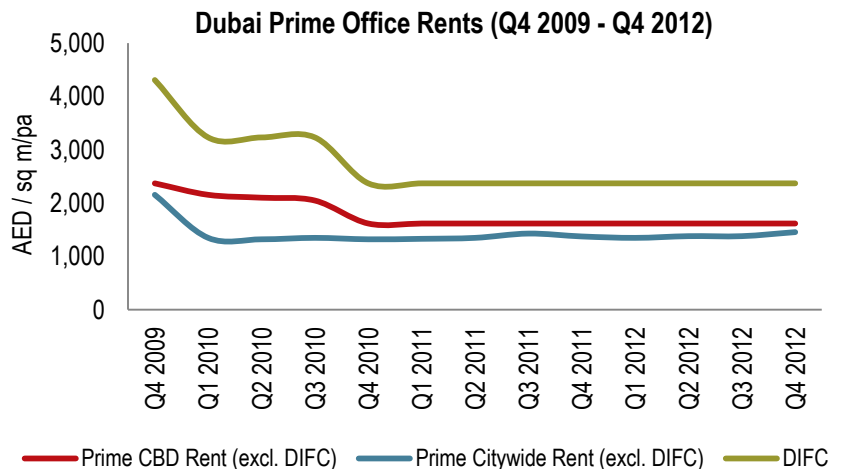
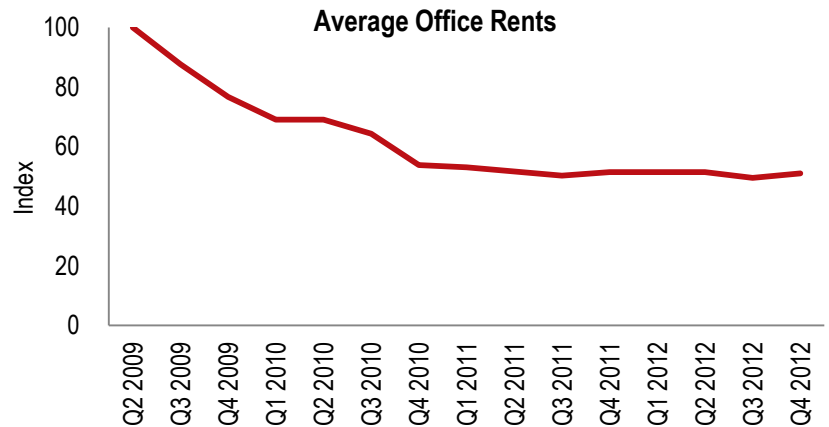
Source: Jones Lang LaSalle, Q4 2012  
\* Distribution of Office Supply completed since 2009

# Major Office Completions - 2012/2013



# Rental Performance




- The last quarter of 2012 has seen an increase in activity in the office leasing market. Average headline rents in quality office buildings in selected areas have seen a marginal rise of 3% Q-o-Q. A wider recovery in rental values is likely to be more perceptible in 2013.
- Despite the limited increase in average headline rents, the top open-market rent in the CBD (prime rent\*) remained unchanged at AED 2,370 per sq m in the DIFC and AED 1,615 per sq m elsewhere in the CBD.
- Demand remains strongest for prime quality space in locations such as TECOM A&B, SZR and Burj Downtown. Those areas have started to see limited rental growth as the market continues to see a “flight for quality”. A few office buildings in JLT, Dubai Investment Park and the Galleries in Jebel Ali have also seen a marginal improvement in rentals in Q4-2012. On the other hand, low quality office space in secondary areas continue to face rental decline.
- Landlords have become more firm on rents in the most prime locations but remain flexible elsewhere, offering rent-free periods to attract tenants to fill unoccupied buildings.
- Vacancy rates within the CBD remained flat at 31% in Q4 as the increase in take up in the prime buildings was counterbalanced by the new supply being delivered.
- With the market showing signs of recovery, there remains potential for rental growth in 2013. However, this growth will be limited to prime buildings with high occupancy rates in well established locations.



Source: Jones Lang LaSalle, Q4 2012

\* See Definition & Methodology for definition of Prime rents.

# Office Market Summary

Indicator	Level	Comment / Outlook
<b>Current Office Stock</b>	6.9 million sq m	Includes all grades. Limited supply (less than 1 million sq m) of single ownership space in the CBD.
<b>Future Supply (2013 – 2014)</b>	1.4 million sq m	Assuming that all pipeline supply tracked by Jones Lang LaSalle will complete.
<b>CBD Single Ownership Vacancy</b>	31%	 CBD vacancy levels remained flat at 31%. Some areas outside the CBD continue to experience much higher vacancies.
<b>Prime CBD Rental (excl. DIFC) Prime City-wide Rental (excl. CBD)</b>	AED 1,600 / sq m AED 1,450 / sq m	 Prime rents remained flat in Q4 2012 but a potential rental growth might be perceived in 2013. Demand remains driven by consolidation and upgrades rather than new entrants to the market.
<b>Prime Capital Value*</b>	AED 15,100 / sq m	 Prime Capital Value refers to the market price for the best office space (excluding DIFC). Prime Capital Values remained unchanged in Q4 2012.

\* Note: this figure has been revised since the Q3 report



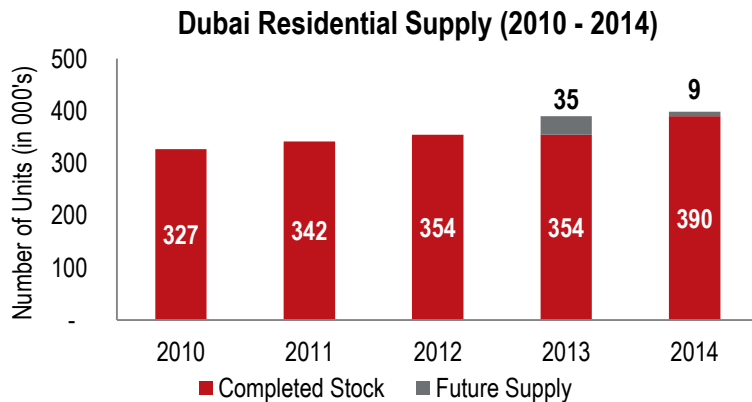
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# Dubai *Residential* Market Overview



# Residential Supply

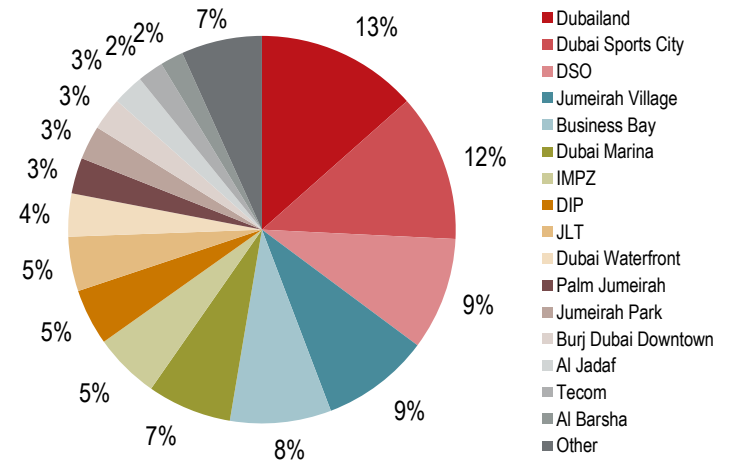
- At the end of 2012, the total residential stock in areas monitored by JLL is around 354,500 units. Around 4,600 residential units, mostly apartments, have been delivered to the market in Q4-2012.
- The most significant completion was Elite tower in Dubai Marina, the world's third tallest residential tower after Princess Tower and 23 Marina. Other notable projects handed over include Boulevard Central 1 & 2 and Claren 2 in Downtown, Laguna Tower in JLT, Nakheel projects in Jumeirah Village, Grandeur Residences (1-7) on the Palm, in addition to other projects in Dubai Sports City and IMPZ.
- Around 12,500 residential units were completed during 2012, 14% less than completions in 2011 and 72% less than in 2010 as developers continue to delay some of their projects.



Source: Jones Lang LaSalle, Q4 2012

- More than 45,000 additional residential units are scheduled to enter the market over the next two years. It is however likely that not all of this space will be delivered within this timeframe. With demand picking up, a number of previously stalled projects are now resuming while new developments are being announced.
- Most of the future residential stock will be located outside central Dubai. The majority of the announced supply for 2013 and 2014 will be in DubaiLand (6,078 units); Dubai Sports City (5,560 units); Dubai Silicon Oasis (4,249 units); Jumeirah Village (4,081) Business Bay (3,815) and Dubai Marina (3,178).

**Breakdown of Expected Future Completions**



Source: Jones Lang LaSalle, Q4 2012

# Major Residential Completions - 2012/2013



**Palm Jumeirah**  
Balqis Residences,  
Royal Amwaj



**Dubai Marina**  
Princess Tower,  
Elite Residence

**Dubai Marina**  
Marina 101,  
Infinity Tower



**Jumeirah Village**  
Nakheel Villas &  
Townhouses, Tuscan  
Residences



**Dubai Sports City**  
Canal Residence  
West, The Bridge



**Dubai Sports City**  
Calida, Zenith Tower  
A1, Elite 2



**Downtown Dubai**  
Boulevard Central,  
Claren



**Downtown Dubai**  
29 Boulevard,  
Standpoint



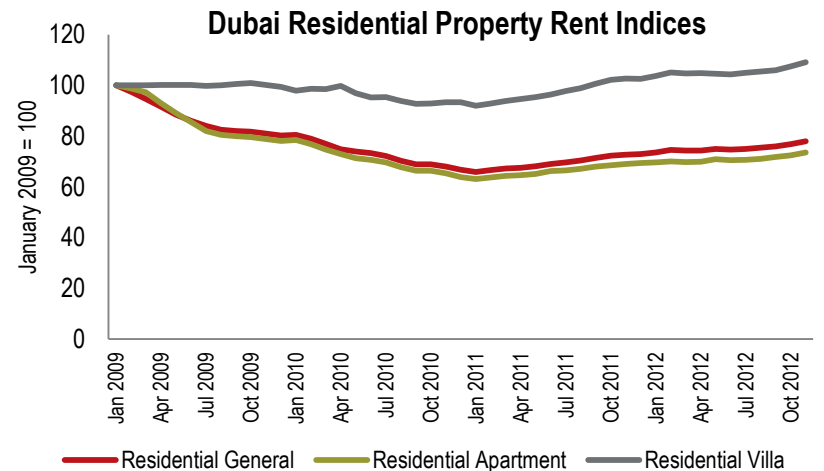
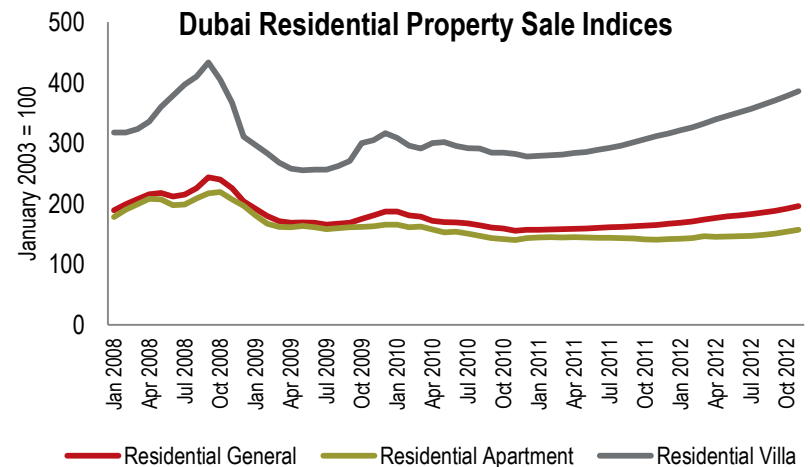
**Silicon Oasis**  
Cordoba Palace,  
Palacio

**Completed**  
**Under Construction**

# Residential Performance





- 2012 witnessed a recovery in the overall residential market, with average prices and rents both picking up.
- The REIDIN Residential Sale Indices improved by 19% Y-o-Y with the villa market outperforming the apartment sector in 2012 . The villa sale price index increased by a strong 24% Y-o-Y and is now 21% higher than in January 2008. The apartment sale price index improved by 12% Y-o-Y but remains 12% less than in January 2008.
- The rental market continued to show a positive trend in 2012, even if its performance was not as strong as the sales market. REIDIN Rental Indices increased 7% Y-o-Y. The villa rent index went up by 6% Y-o-Y and is now 2% higher than the peak level. The apartment rental index increased 7% Y-o-Y but remains 26% lower than January 2009 (when the index commenced). Rental increases in the most demanded areas such as Burj Downtown, Dubai Marina and, Palm Jumeirah have been counterbalanced by declines in secondary and less completed locations.
- While this positive trend is expected to continue in 2013, it will remain however more noticeable in prime assets in established communities. The new regulations by the UAE Central Bank to cap loan-to-values on mortgages are likely to reduce demand and limit the rise in residential prices in Dubai.

Note: REIDIN.com RPPIs use monthly sample of offered/asked listing price data and land registry price data (transaction data). Dubai sales/ rent index series are calculated monthly and cover 7 city-wide, 8 main districts and 4 major communities/ projects.



Source: REIDIN, Q4 2012

# Residential Market Summary

Indicator	Level	Comment/Outlook
<b>Current Residential Stock</b>	354,500	Around 4,600 units were added to Dubai's residential stock inventory in Q4 2012.
<b>Future Supply (2013 – 2014)</b>	45,200	Assuming that all supply tracked by Jones Lang LaSalle will complete. In reality, some of the proposed projects may be delayed beyond their scheduled date.
<b>Apartment Rent</b>		Asking rents went up by 7% Y-o-Y and are expected to increase further in 2013.
<b>Apartment Sale Price</b>		Asking apartment sale prices went up by 12% in prime buildings within established locations year-on-year.
<b>Villa Rent</b>		Villa rents have increased in 2012 by 6% Y-o-Y in prime established locations and this trend is likely to continue. Asking rents in less established prime locations expected to remain stable.
<b>Villa Sale Price</b>		Asking prices for villas have increased by 24% year-on-year and are expected to continue their upward trend during 2013 in well established prime areas.

Note: Direction arrows are based on the performance of the REIDIN monthly index.



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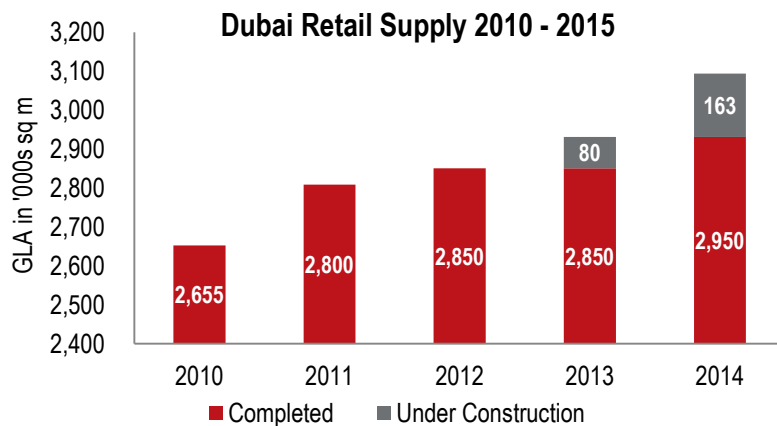
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# Dubai **Retail** Market Overview



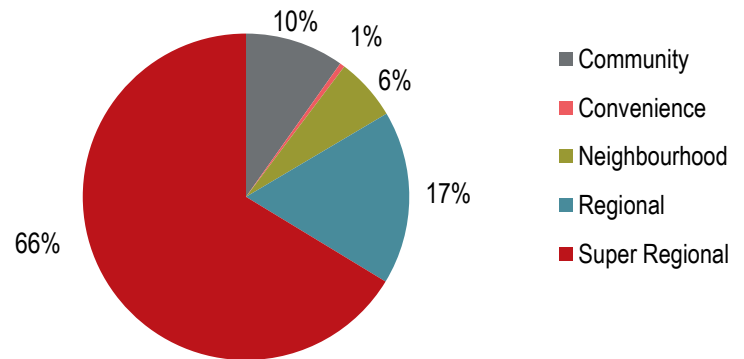
# Retail Mall Supply

- The total stock of mall based retail space in Dubai at the end of 2012 stood at approximately 2.9 million sq m. as no major completion was recorded in the last quarter of the year.
- Completions for the whole year 2012 amounted to just 42,200 sq m, 72% less than the retail space completed in 2011 and one of the lowest figures in recent years.
- The most awaited retail completion scheduled for Q1 2013 is Phase I (13,000 sq m) of the Avenue project by Meraas. Other projects under construction by Meraas include a 5,000 sq m Jumeirah Beach Village Mall in JBR expected for 2014.
- A number of new Super Regional Malls also remain under construction, including a 158,000 sq m extension to Dragon Mart (2014) and the 112,000 sq m Dubai Pearl Shopping Mall (2015).
- A number of large new retail projects have been unveiled in late 2012. The biggest announcement was Mall of the World, part of the Mohammad Bin Rashid City, anticipated to be the world's largest mall with a capacity for 80 million visitors. Other new projects include a 20,000 sq m Outlet Village, a 93,000 sq m expansion of the Dubai Mall and the development of phase four of Madinat Jumeirah
- Other large-scale shopping centres that have been announced for the coming years include Bawadi Mall in Dubailand, the Phoenix Mall in International City, Phase 2 of The Avenue and the Palm Mall on Palm Jumeirah.
- The original Burjuman Mall has reported it will undergo significant renovations beginning in 2013. This could be the first of a number of phased closures and refurbishments as Dubai's older malls seek to compete with newer offerings.



Source: Jones Lang LaSalle, Q4 2012

**Breakdown of Existing Retail Space by Type of Mall**



Source: Jones Lang LaSalle, Q4 2012

# Expected Major Retail Completions



**Al Wasl**  
The Avenue



**Downtown Dubai**  
Dubai Mall - Phase 2



**International City**  
Dragon Mart  
Phase 2



**TECOM**  
Dubai Pearl Mall



**Al Barsha**  
Outlet Village



**Mohammed Bin Rashid City**  
Mall of the World



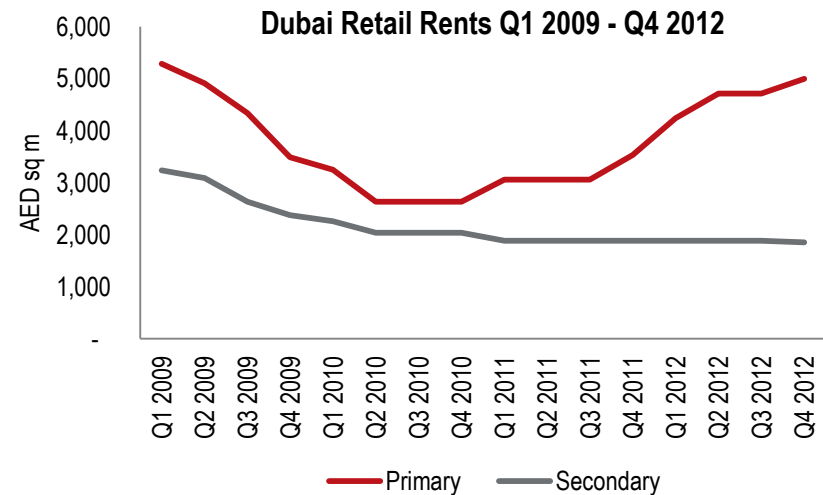
**JBR**  
Jumeirah Beach  
Village

# Rental Performance – Estimated Rental Value (ERV)

- The top open market net rent for a notional standard shop in prime super regional centres has increased slightly in Q4 2012 as demand remains strong. Rents in secondary and old malls have either remained flat or dropped marginally, widening the differential between primary and secondary centres.
- The Dubai Mall and Mall of the Emirates continue to outperform the industry in terms of record footfalls, sales volumes and occupancy. Emaar has announced a 93,000 sq m expansion plan for the Dubai Mall.
- Despite the large number of retail centres in Dubai, several new projects are likely to perform well. “The Beach” project by Meraas on JBR, is expected to benefit from the strong population density in Dubai Marina, the inflow of tourists as well as the upcoming tram project in the area.
- Demand remains strong from international franchises and a number of flagship stores, ranging from luxury to medium and value brands, are entering the market. The Food & Beverage sector is reported to be doing particularly well and a number of new to the market F&B brands, such as The Cheesecake Factory, have opened very successfully.
- As the resident population is growing, retail sales in community malls are increasing year-on-year. However, these sales increases have not yet translated into high rental levels.
- Overall, the retail market in Dubai continues to perform well, especially in the large best quality centres, supported by a strong tourism industry and the perception of Dubai as a “safe haven”. Secondary malls are seeing weakened demand and have been reviewing their tenant mix and offering leasing incentives to improve their positioning.

AED / sq m	Q4 2012	
	Primary	Secondary
Super Regional	4,300-5,700	1,000-2,700
Regional	1,350-2,155	970-1,900
Community	1,300-2,700	1,100-1,350
Neighbourhood	2,450-2,70	800-1,100
Convenience	1,500-1,890	1,300-1,400



Note: Based on a basket of malls of different size –see definitions for further details.



Note: Chart shows mid-point ERV for an in-line store in a basket of Primary and Secondary Super Regional shopping malls. The rent quoted reflects a notional “standard” line store unit of 100 sq m.

Source: Jones Lang LaSalle, Q4 2012

# Retail Sector Summary

Indicator	Level	Comment / Outlook
Current Retail Space (GLA)	2,851,000 sq m	No major retail completions in Q4 2012.
Future Supply (2013 – 2015)	374,700 sq m	Significant future retail completions in Dubai include the Avenue, the Outlet Village, The Beach Mall and the major extension to Dragon Mart. In addition, many new retail projects have been announced recently, including the Mall of the World, as part of MBR City.
Retail Rents in Primary Malls	AED 5,000/ sq m	 Rents of prime units in better performing centers have improved marginally in Q4-2012 supported by strong demand but this remains offset by declining rental levels in poorer performing centres.
Retail Rents in Secondary Malls	AED 1,850/ sq m	
Average Regional Mall Vacancy	15%	 Citywide retail vacancy stabilised at 15% as the strong occupancy levels in the better performing super regional and regional centres is counterbalanced by higher vacancies rates in the tier-two and poorer performing malls.



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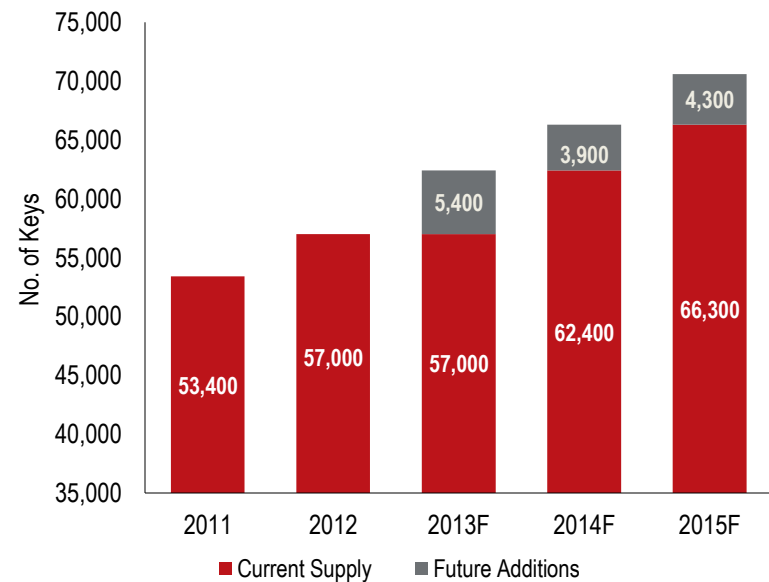
# Dubai **Hotel** Market Overview



# Hotel Supply

- The fourth quarter of 2012 witnessed a number of major openings, bringing nearly 1,600 additional internationally branded rooms into the market. As a result, approximately 3,600 branded hotel rooms were added to the Dubai hospitality supply in 2012.
- The most renowned opening in the last quarter was the first phase of JW Marriott Marquis in Business Bay, which delivered 804 rooms out of its total of 1,608. Other new completions included the Rayhaan by Rotana at Al Ghurair City in Deira and the soft opening of the Fairmont on Palm Jumeirah.
- A number of the hotels scheduled for completion in 2012 have been delayed to the new year. More than 5,400 guest rooms are expected to be delivered in 2013 with new projects including the Conrad on Sheikh Zayed Road, Novotel Al Barsha, Oberoi Business Bay, Sofitel Palm Jumeirah and DoubleTree by Hilton amongst others.
- The major new hotel announced over Q4 was the fourth hotel within Jumeirah Group's Madinat Jumeirah project. The final stage of this project will include a new 420-room five-star hotel, in addition to 45 villas and hotel apartments.
- Several large-scale mixed-use development projects have been announced towards the end of the year with major hotel components. Among these, we can cite the Mohammed Bin Rashid City and a multi billion dirham theme park project in Jebel Ali.
- The various tourism and entertainment projects announced recently reflect the efforts of the government to position Dubai as a leisure destination and attract more tourists. This will be instrumental in absorbing the robust hotel supply pipeline planned for the city in the next 5 – 7 years.

Dubai Hotel Supply 2011 - 2015



Source: Jones Lang LaSalle Hotels, Q4 2012

# Expected Major Hotels Completions - 2012/2013



Al Khor Rayhaan Hotel  
428 Rooms



Sofitel Palm Jumeirah  
543 Rooms



Conrad  
559 Rooms



JW Marriott Marquis  
(First Phase)  
804 Rooms



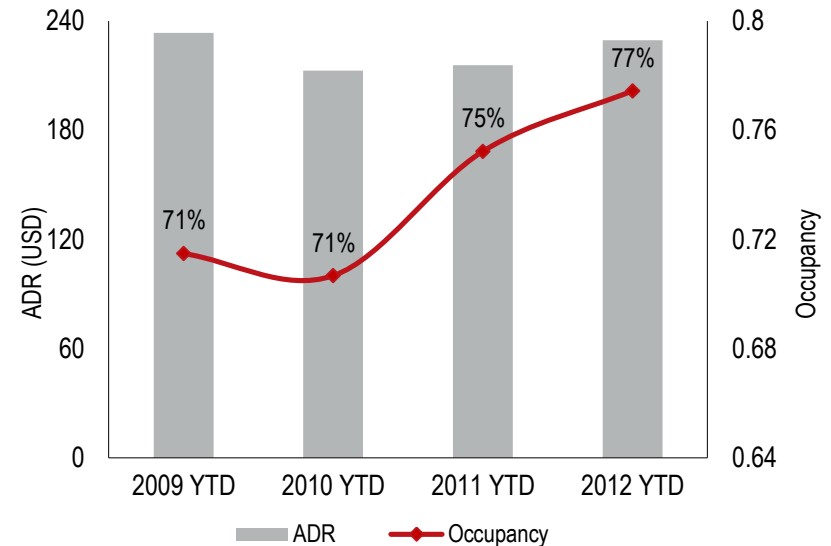
Fairmont Hotel  
381 Rooms

Completed  
Under Construction

# Trading Performance



- Dubai received about 5 million tourists during the first half of 2012, 10% more than during the same period in 2011. The positive upward trend in tourist arrivals has continued through the second half of the year, supported by the Eid Al Fitr and Eid Al Adha breaks, resulting in improved hotel performance across the city.
- The YT October airport arrivals registered a 13% increase supporting the demand curve. Dubai International Airport is expected to handle more than 57 million passengers in 2012, an increase of around 14% on 2011.
- Average hotel occupancy rates stood at 77% in the year to November, this represents a three percentage points increase over the same period in 2011.
- Average Daily Rates have witnessed an 6% improvement reaching USD 229 in YT November 2012 as compared to same period in 2011.
- As a result RevPAR levels showed an impressive 9% growth reaching USD 178 in YT November 2012 over the same period in 2011.

Dubai Hotel Performance (YT November 2009 – 2012)



Source: STR Global

# Hotel Market Summary

Indicator Q4	Level	Comment / Outlook
<b>Current Hotel Supply</b>	57,000 rooms	About 3,600 rooms were added in 2012, including three major openings in Q4 with Tower 1 of J W Marriott Marquis, Rayhaan by Rotana Al Ghurair City and Fairmont The Palm.
<b>Future Supply (2013 - 2015)</b>	13,000 rooms	Major openings scheduled for 2013 include the Conrad Sheikh Zayed Road, Novotel Al Barsha, Oberoi Business Bay, Sofitel Palm Jumeirah and DoubleTree by Hilton amongst others.
<b>2012 YTD Occupancy</b>	77%	 Increase in YTD levels of occupancy with resurgence witnessed across all sub-markets.
<b>2012 YTD ADR</b>	USD 229	 Average rates witness an improvement after two years. As a result of resurgence in occupancy and stabilization in ADRs; RevPAR levels have increased by 9% on a city-wide basis.



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# Dubai *Industrial* Market Overview



# Industrial Supply & Demand

## Traditional Onshore Areas

Al Quoz, Al Qusais, Ras Al Khor, etc..

- Well established and well positioned close to commercial areas within the city.
- Command premiums on real estate because of their proximity to local markets
- Old stock and products of inferior quality
- Fully occupied as they have been operational for 10 years +
- In general those areas target local companies.

## FreeZone Areas

JAFZA, DAFZA , etc...

- Operate under a free zone status. As freezones, they offer full ownership and exemption from taxations.
- Sophisticated and advanced infrastructure, good transportation and connectivity
- Products of higher quality.
- Occupiers are large global companies in search of large land plots and high quality warehouse facilities.

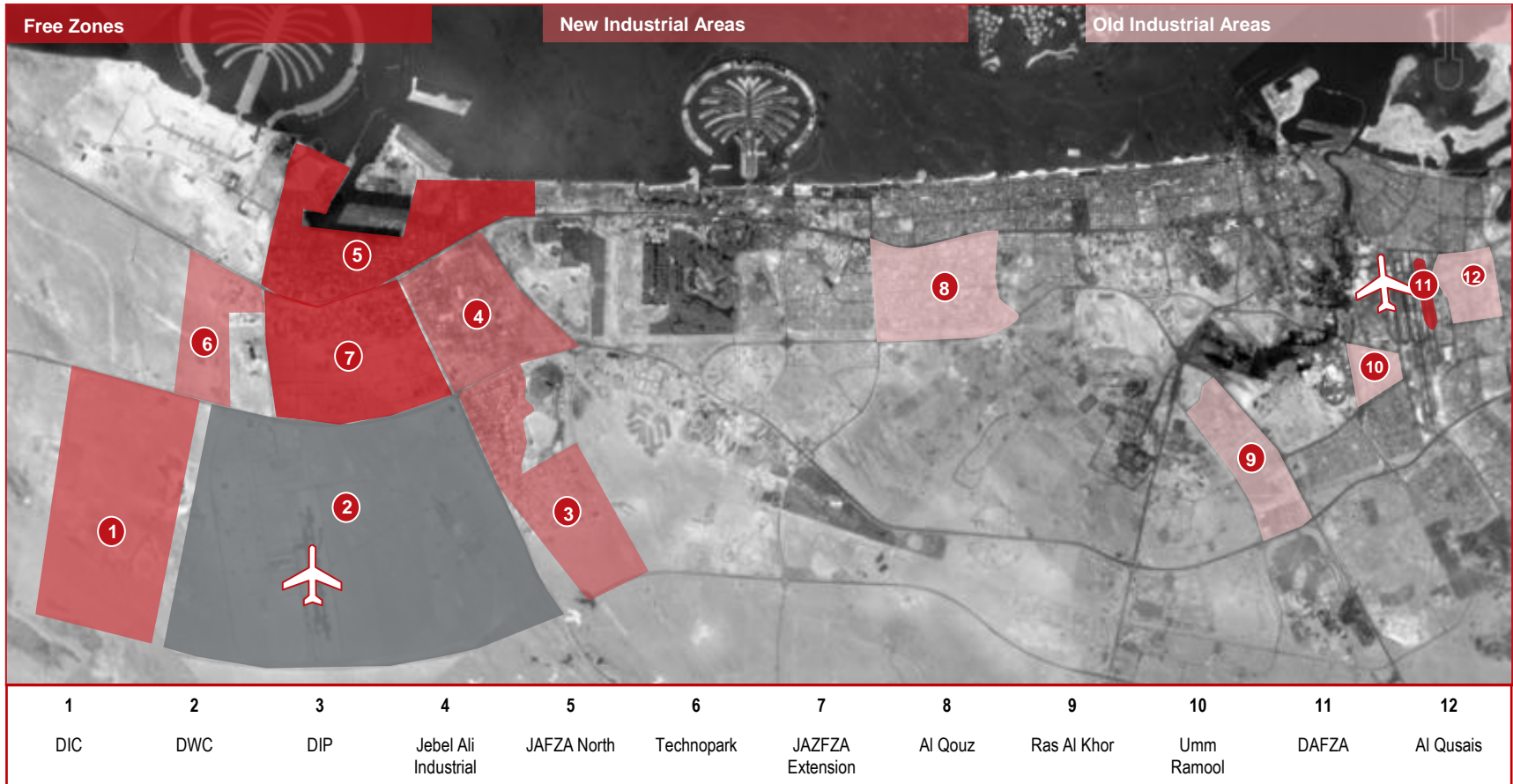
## New Onshore Industrial Areas

Dubai Industrial City, Dubai Investment Park, etc..

- Dubai's newest industrial areas
- Large space available for global occupiers (especially DIP)
- Provide alternatives to the traditional areas such as Al Quoz or Ras Al Khor that are almost saturated

- The industrial market in Dubai is mainly dominated by light industries and logistics.
- We estimate the industrial stock in Dubai to stand at approximately 66 million sq m of built space, representing around 20% of the total industrial land, with JAFZA North believed to have the largest stock in Dubai.
- Demand for both completed premises and land is mainly driven by existing companies looking to expand or consolidate their operations. Most of the existing demand is for small units of 5,000-10,000 sq m.
- Quality and/or location continue to determine demand in the market. However few completed units in the market meet the specifications and requirements of international operators and there remains an oversupply of poor quality stock, especially in areas such as Al Quoz or Al Qusais.
- Another decisive factor for international operators is the availability of space within free zones. Freezone areas offer legal considerations that are attractive to large multinational occupiers.
- Despite being non-freezone areas, Dubai Investment Park and Dubai Industrial City have witnessed strong activity recently as they are new developments and enjoy easy access and good connectivity, two of the main drivers of industrial development.
- Due to the lack of high quality speculatively built premises, most large companies seek to acquire land plots to develop their own facilities.
- As the volume of freight through both Jebel Ali port and the new airport at Dubai World Center continues to increase, there is likely to be continued demand for warehousing and logistics space in the major industrial locations to the south of Dubai.

# Main Industrial Areas



# Industrial Performance

- Rental rates in completed industrial units in Dubai currently vary significantly from one area to another, with no real standardization of logistics facilities.
- The average rent across onshore areas is around AED 350 per sq m. The older areas command average rents of 320-550 per sq m, while completed units in newer but more peripheral locations (such as DIC and DIP) are somewhat lower.
- The free zone areas of Jebel Ali and Dubai Airport, command a higher average of between AED 400 – 600 per sq m for completed warehousing units
- Currently quality does not seem to be driving price. Price remains determined by critical mass, clustering and location as companies prefer being positioned close to the CBD.
- Demand is likely to shift over time towards those areas offering better quality products, well developed infrastructure and access to ports and/or airports. Al Maktoum International Airport will start transforming into an integrated logistics platform over time, increasing the attraction of industrial areas to the south of Dubai.
- The industrial market has been much less cyclical than other sectors over recent years and continues to be dominated by long term commitments to single tenants.

Warehouse Rents		
Area	Unit Lease AED / sq m / p.a	Lease term
Older Onshore Areas	320-550	Annual
Newer Onshore areas (excl. Free Zone areas)	180-350	3-5-10 years (DIC) 1 year (DIP)
Free Zone areas	350-800 (DAFZA rates 600-800)	1- 2 years

Land Lease Rates	
Area	Land Lease AED / sq m / p.a
Older Onshore Areas	50-80
Newer Onshore areas (excl. Free Zone areas)	25-40
Free Zone areas	20-70 (JAFZA) 40-100 (DAFZA)

# Definitions and Methodology

## Office:

- The supply data is based on our quarterly survey of 40 sub markets, starting from 2009.
- Completed building refers to a building that is handed over for immediate occupation.
- Central Business District includes DIFC, DTCD, Sheikh Zayed Road, Burj Khalifa Downtown. Free Zone areas include Jumeirah Lake Towers, DIFC, Tecom, Dubai Silicon Oasis, DWC, Dubai Outsource Zone and IMPZ.
- Prime Office Rent represents the top open-market rent (open market refers to a new leasing – not to a sitting tenant) that could be expected for a notional office unit of the highest quality and specification in the best location in a market, as at the survey date. Data relates to headline rents, exclusive of incentives.
- Prime Capital Value represents the top open-market capital value that could be expected for a notional office building of the highest quality and specification in the best location on the survey date.

Prime capital values are a calculation, derived from prime rents and yields:

$$\text{Capital Value} = (\text{Prime Annual Rent} / \text{Prime Yield From}) * 100$$

## Residential:

- The supply and stock data is based on our quarterly survey of 37 sub markets, starting from 2009. This data excludes labour accommodation and local Emirati housing supply.
- Completed building refers to a building that is handed over for immediate occupation.
- Residential performance data is based on the REIDIN monthly index. REIDIN.com Dubai Residential Property Price Indices (RPPIs) use monthly sample of offered/asked listing price data and land registry price data (transaction data). Index series are set at 100 starting at the beginning of each data set.

## Retail:

- Classification of Retail Centres is based upon the ULI definition and based on their GLA:
  - *Super Regional Malls have a GLA of above 90,000 sq m*
  - *Regional Malls have a GLA of 30,000-90,000 sq m*
  - *Community Malls have a GLA of 10,000-30,000 sq m*
  - *Neighbourhood Malls have a GLA of 3,000-10,000 sq m*
  - *Convenience Malls have a GLA of less than 3,000 sq m*
- Primary Malls are the good performing malls with high levels of turnover. Secondary Malls are the average performing malls with lower levels of turnover.
- Prime Rent Shopping Centre represents the top open market net rent that could be expected for a notional standard in line unit shop of 100sq.m situated in a specified shopping centre as at the survey date.

## Hotels:

- Hotel room supply is based on existing supply figures provided by DTCM as well as future hotel development data tracked by Jones Lang LaSalle Hotels. Room supply includes all graded supply and excludes serviced apartments.
- STR performance data is based on monthly survey conducted by STR Global on a sample of more than 32,000 rooms across Dubai.

## Industrial:

- Industrial Stock is calculated on the basis of applying a site coverage to the total developed industrial land.
- Industrial rental values are based on average asking rents across 14 major industrial areas in Dubai.



*Real value in a changing world*

## Contacts:

### **Robin Pugh**

Head of Agency  
Middle East & North Africa  
[robin.pugh@jll.com](mailto:robin.pugh@jll.com)

### **David Macadam**

Head of Retail  
Middle East & North Africa  
[david.macadam@jll.com](mailto:david.macadam@jll.com)

### **Gabriel Matar**

Director, Middle East & Africa  
Jones Lang LaSalle Hotels  
[gabriel.matar@jll.com](mailto:gabriel.matar@jll.com)

### **Craig Plumb**

Head of Research  
Middle East & North Africa  
[craig.plumb@jll.com](mailto:craig.plumb@jll.com)

### **Cynthia Nasseh**

Senior Research Analyst  
Middle East & North Africa  
[cynthia.nasseh@jll.com](mailto:cynthia.nasseh@jll.com)

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