

Office Market Dynamics



Research
United Arab
Emirates
Q3 2025

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Key trends

1

Change in demand composition

- Demand from regional companies is steadily increasing at a faster rate compared to large international corporates. Although, regional players who have typically demonstrated more flexibility in terms of absorbing higher rental costs are also being cost sensitive.

2

Landlord driven market

- Both Dubai and Abu Dhabi experienced significant vacancy rate declines driven by strong demand and limited supply, enforcing a landlord-favourable market position, this is likely to remain the case until any significant new supply enters the market.

3

Rental rates close to ceiling

- Market dynamics suggest rental growth may be reaching its peak, as tenants increasingly view current growth rates as unsustainable compared to their CRE budgets, particularly for Prime and Grade A space.

4

Launch of new projects but strata

- Dubai noted new project launches, primarily located outside its core Central Business Districts. These developments predominantly use strata-title ownership structures, which generally do not meet the requirements of regional companies and large corporate tenants.

By the numbers

13.43 million

Existing inventory (sq. m.)
Dubai & Abu Dhabi

1.5%

Abu Dhabi citywide
vacancy rate

7.1%

Dubai citywide vacancy
rate

AED 2,979

Abu Dhabi Prime rent
(AED/sq. m.)

AED 359

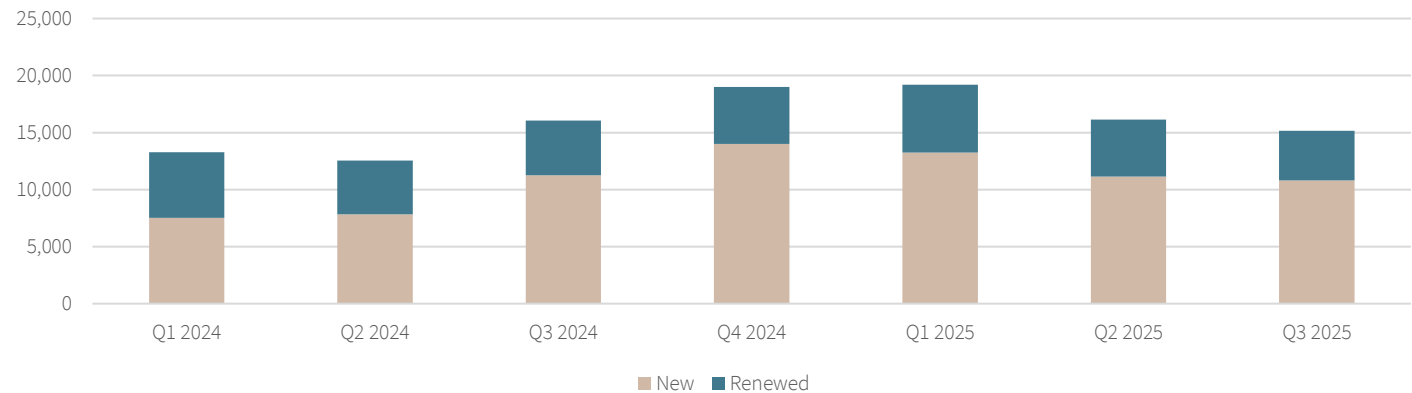
Dubai Prime rent
(AED/sq. ft.)

Commentary

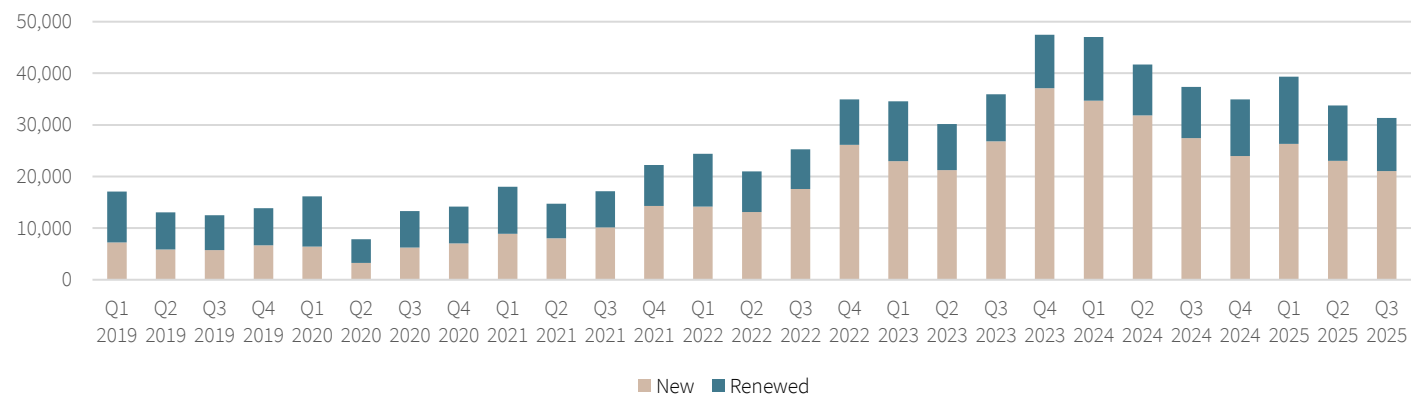
- Rental contract registration volumes declined year-on-year in both markets, falling by 5.6% in Abu Dhabi and by 16.0% in Dubai. In Abu Dhabi, new contract volumes decreased 4.0% year-on-year, while renewals declined more sharply by 9.4%. Dubai recorded a 4.4% growth in renewal contracts, reflecting tenant retention in tight market conditions. New contract volumes fell significantly by 23.4% year-on-year.
- These negative registration figures should not be interpreted as indicators of market weakness but rather reflect the prevailing supply-demand imbalance characterising current market conditions. The contraction in contract volumes primarily stems from supply constraints, where tenant demand significantly exceeds available stock. Consequently, the limited office space entering the market is being rapidly absorbed, creating a highly competitive leasing environment that restricts overall transaction volumes despite strong underlying market fundamentals and occupier interest.

Rental Contract Volumes

Abu Dhabi, Rental Contract Registrations, By Type



Dubai, Rental Contract Registrations, By Type



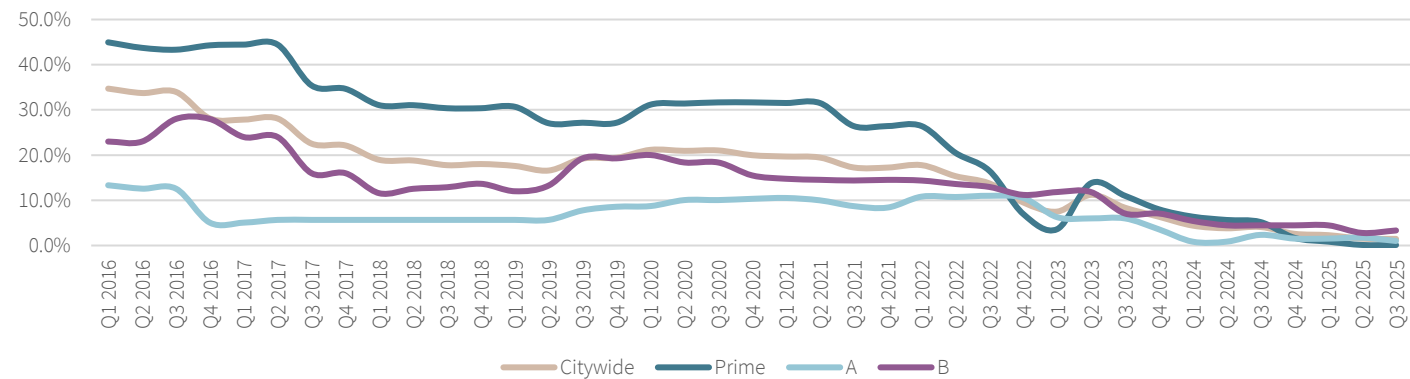
Source: ADREC, REIDIN

Commentary

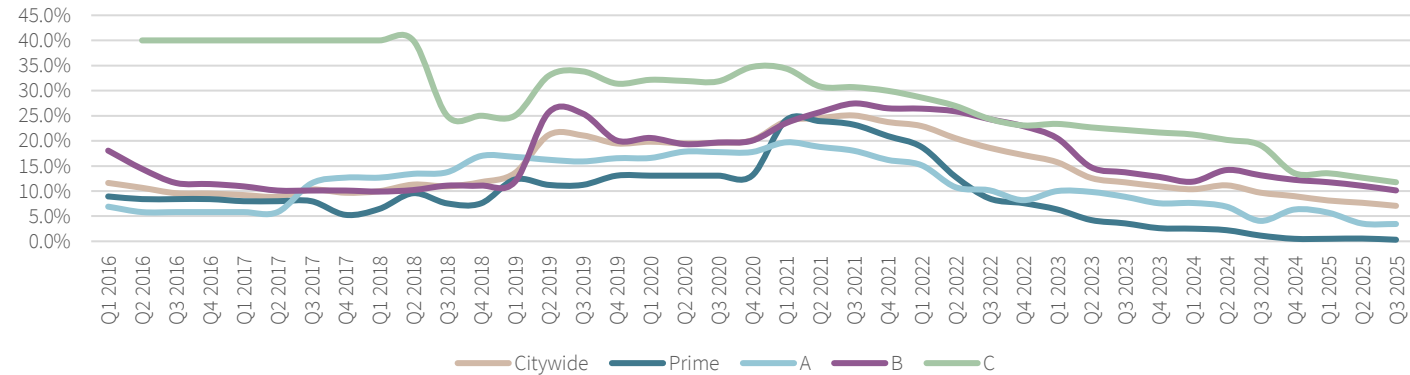
- Vacancy rates continued to drop on the back of strong demand and limited availability of space, especially within Prime and Grade A spaces, where vacancy levels have reached new lows. Abu Dhabi recorded a citywide office vacancy rate of 1.5% in Q3, representing a substantial decline from the 4.1% vacancy rate observed in the corresponding quarter of the previous year. Prime and Grade A office segments demonstrated exceptionally tight market conditions, with minimal available inventory, this is reflected in the average vacancy rates of 0.1% and 1.0%, respectively.
- Similarly for Dubai, citywide vacancy rates have been steadily declining and reached 7.1% in Q3, compared to 9.7% in the previous year. Vacancy rates for Prime office spaces reached critically low levels of 0.3%, followed by the Grade A vacancy rate of 3.4%. This trend is expected to underpin the market in the short to medium term, until substantial new inventory delivery expands occupier selection and rebalances market conditions.

Vacancy Rates

Abu Dhabi, Vacancy Rate, %



Dubai, Vacancy Rate, %



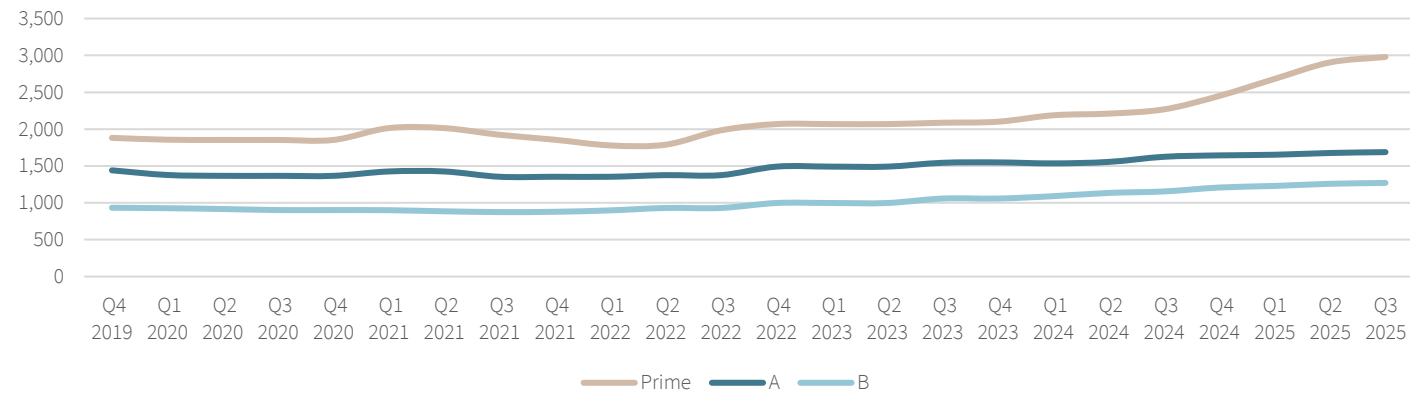
Source: JLL Research, 2025

Commentary

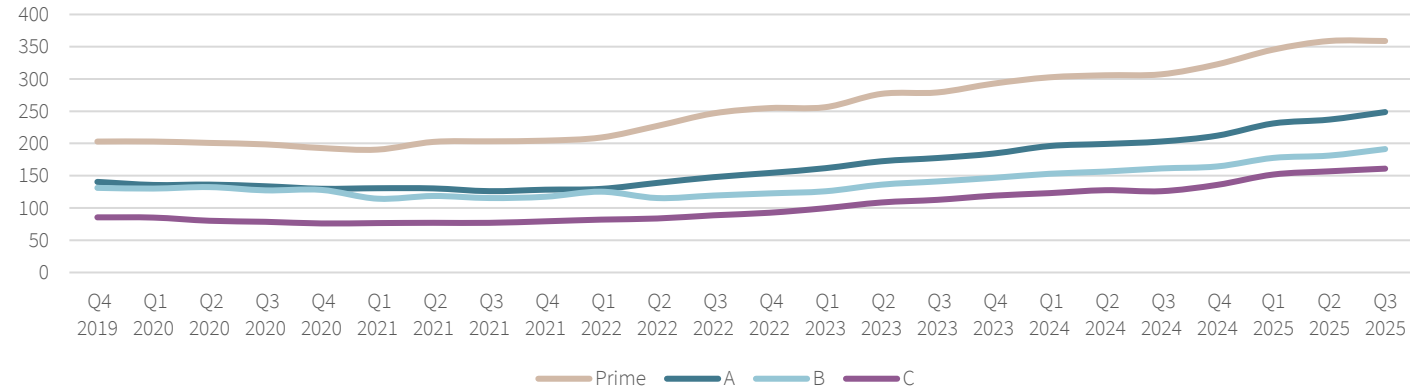
- Abu Dhabi's office market maintained its position as two-tiered market, with prime properties commanding substantial rental premiums over Grade A and B assets. Prime rents increased 31.3% year-on-year, while Grade A and Grade B rents rose 3.9% and 10.0%, respectively. This rental gap reflects the strong occupier preference for premium space and ongoing flight-to-quality trend.
- Dubai continued to experience upward pressure driven by robust demand combined with constrained availability of premium-grade office space. Rates for prime offices increased by 16.8% whilst Grade A and Grade B office categories registered 22.5% and 18.6% rental growth respectively, in the year to Q3 2025.
- Market indicators suggest that the rate of rental escalation may be approaching its cyclical peak, as occupiers are increasingly expressing concerns regarding current pricing sustainability and feasibility within their operational limits. This sentiment reflects growing resistance to further substantial rate increases and suggests the market may be nearing a rental ceiling that balances landlord revenue optimisation and occupier budgets.

Rental Rates

Abu Dhabi, AED/Sq. M., By Grade



Dubai, AED/Sq. Ft., By Grade



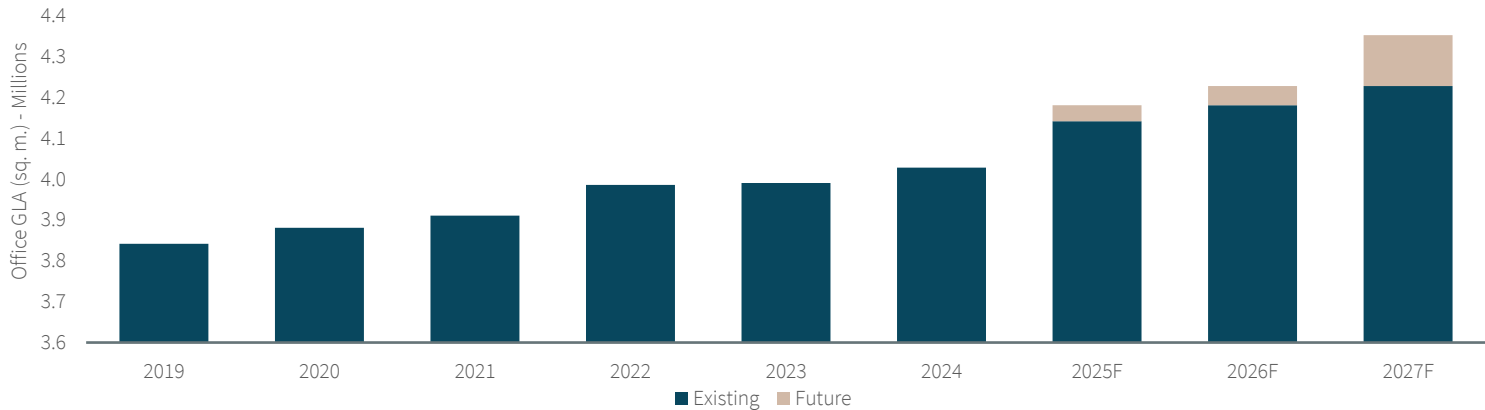
Source: JLL Research, 2025

Commentary

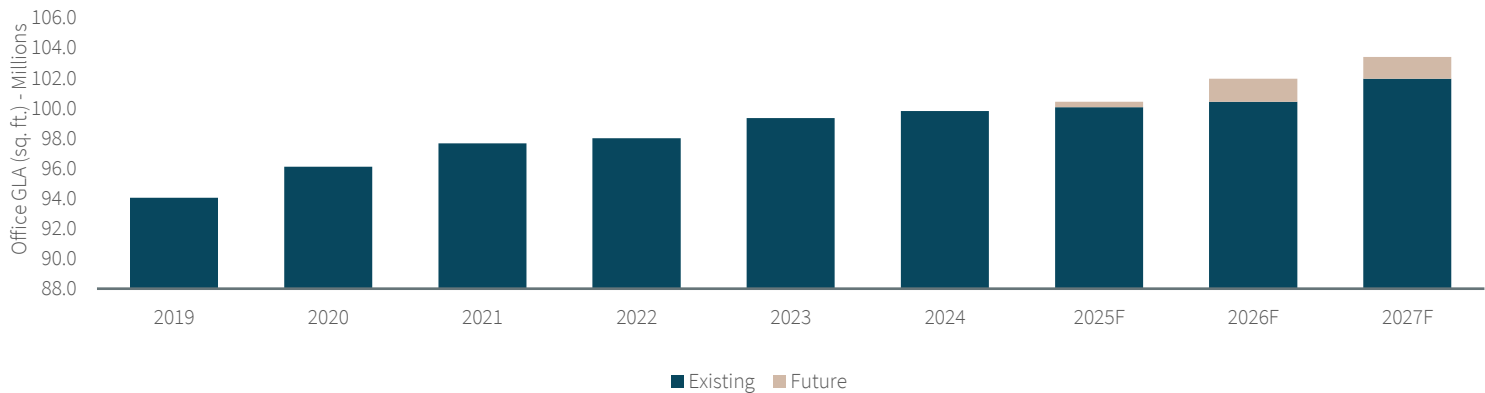
- Abu Dhabi's total office inventory stood at 4.14 million sq. m. GLA, with an additional 39,000 sq. m. scheduled for delivery in the remaining quarter of 2025. The market anticipates substantial supply expansion in 2027, when 124,600 sq. m. of new office space is planned for completion.
- Total office stock in Dubai remained stable at 100.1 million sq. ft. of GLA, with approximately 355,000 sq. ft. expected over the remaining quarter. Over the longer term, occupiers and new market entrants should experience some relief with incoming supply over the next two years, with 1.5 million sq. ft. in 2026 and 1.4 million sq. m. in 2027.
- An emerging trend in Dubai has been residential developers diversifying into the commercial sector to capitalise on supply-demand imbalances. However, new projects are predominantly launching in secondary locations away from core CBDs where land availability and development opportunities are more favourable for developers.

Supply

Abu Dhabi, Existing and Future Supply



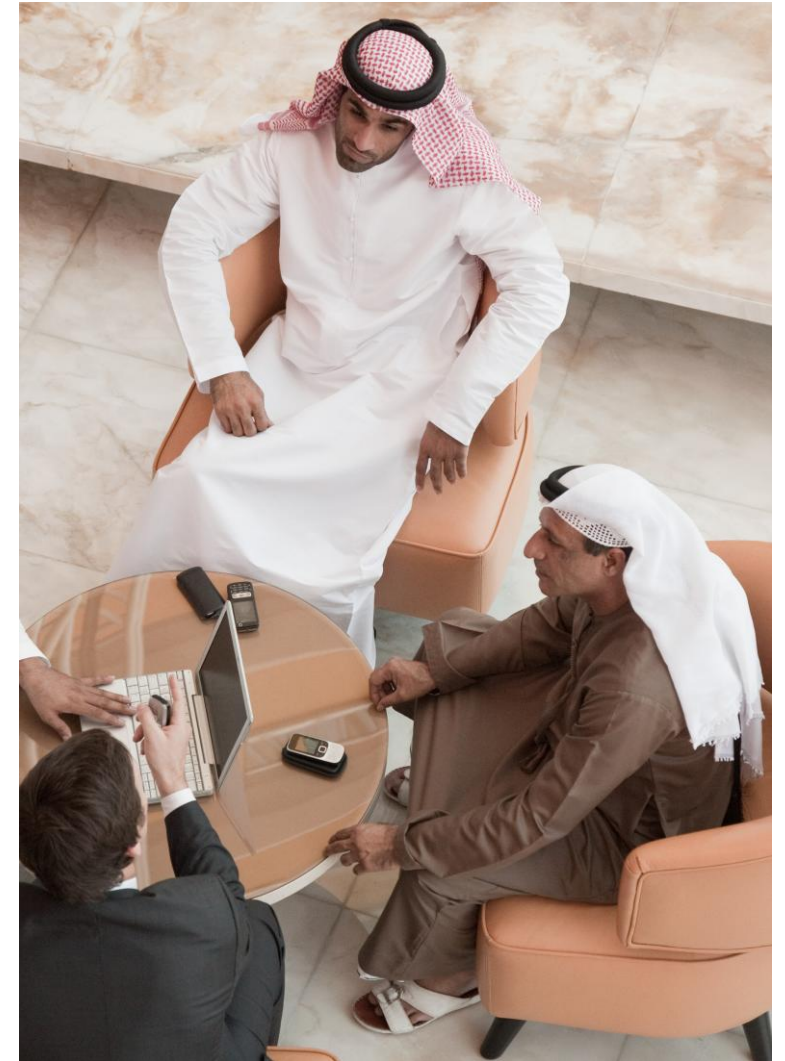
Dubai, Existing and Future Supply



Source: JLL Research, 2025

Outlook

- Over the short to medium term, occupiers and new market entrants are anticipated to maintain a disadvantage in negotiating position during lease discussions, as prevailing market dynamics continue to strongly favour landlords. The persistent supply-demand imbalance has consolidated landlord leverage, enabling property owners to dictate lease terms and pursue aggressive rental rate increases. This landlord-favourable environment is expected to persist until substantial new office inventory enters the market and rebalances supply conditions. In the interim, property owners retain significant negotiating power and are positioned to implement upward rental adjustments while maintaining selective tenant criteria. The constrained supply environment effectively limits occupier alternatives and reduces their ability to negotiate favourable lease terms, rental concessions, or resist rate increases, thereby sustaining the current power dynamic in favour of landlords across both markets.
- Dubai's office market is experiencing a notable shift in demand composition, with increased leasing inquiries originating from regional companies, these are increasing at a much faster rate than inquiries from multinational corporations. This transition presents favourable implications for landlords, as regional occupiers often demonstrate greater rental rate flexibility and willingness to accept premium pricing structures. In contrast, international occupiers typically operate under stringent corporate real estate policies and standardised global guidelines that sometimes constrain their CRE budgets, often resulting in more conservative leasing terms and pricing expectations.



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