

Office Market Dynamics



Research
United Arab
Emirates
Q2 2025

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Key trends

1

Push for renewals

- Tight market conditions characterised by limited availability and increasing rental rates are driving earlier lease renewals, with tenants feeling pressured to make timely decisions. This trend is reflected in office renewal rates, which grew by 0.8% in Abu Dhabi compared to 8.3% in Dubai, during Q2.

2

Vacancies continue to diminish

- In Abu Dhabi, vacancies declined further during Q2. Average city-wide vacancy rates dropped to 1.5%, whilst Prime and Grade A vacancies reached 0.1% and 1.7%, respectively.
- Dubai's citywide office vacancy rates decreased to 7.7%, while prime market vacancy remained extremely tight at just 0.3%.

3

Prime rental gap widened

- Prime office rents remain significantly higher than Grade A spaces—73.3% more in Abu Dhabi and 50.8% more in Dubai. This price gap is expected to grow as low vacancy rates and high demand push premium office rents even higher.

4

Limited new Grade A stock in the short term

- Abu Dhabi faces a shortage of Grade A office space with no significant new supply expected until early 2026, when the next wave of premium developments will finally be delivered.

By the numbers

13.9 million

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

1.5%

Abu Dhabi citywide
vacancy rate

7.7%

Dubai citywide vacancy
rate

AED 2,905

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

AED 359

Dubai Prime rent
(AED/sq. ft.)

Commentary

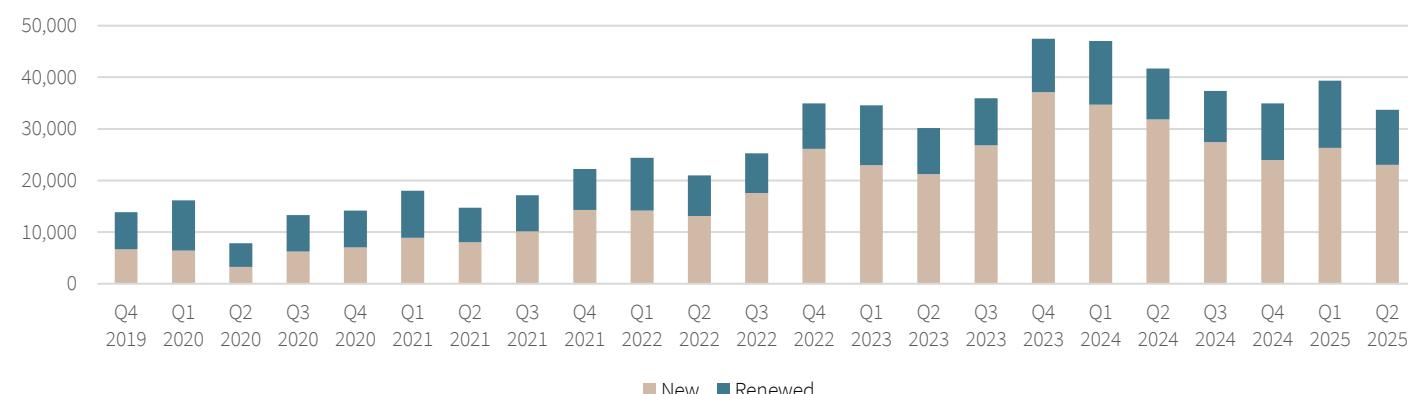
- In the second quarter, Abu Dhabi's office sector saw a dip in activity, of 1.9% year-on-year, in the total volume of registered leases, largely due to a 7.5% year-on-year decline in renewals. However, renewals saw a marginal increase of 0.8% during the same period.
- Dubai's office sector saw a more pronounced contraction in Q2, with total registrations declining by 19.1% year-on-year, with limited available stock hampering activity. Occupier preferences for maintaining existing locations was evident, as renewals rose by 8.3% year-on-year compared to the same period last year. However, this positive renewal trend was offset by a 27.6% year-on-year reduction in new lease contracts, which significantly impacted the aggregate transaction volume.
- These metrics should not be interpreted as indicative of a market downturn but rather reflect market characteristics including constrained availability of quality office inventory and the prevalence of existing long-term contractual commitments.

Rental Contract Volumes

Abu Dhabi, Rental Contract Registrations, By Type



Dubai, Rental Contract Registrations, By Type



Source: Quanta, REIDIN

Commentary

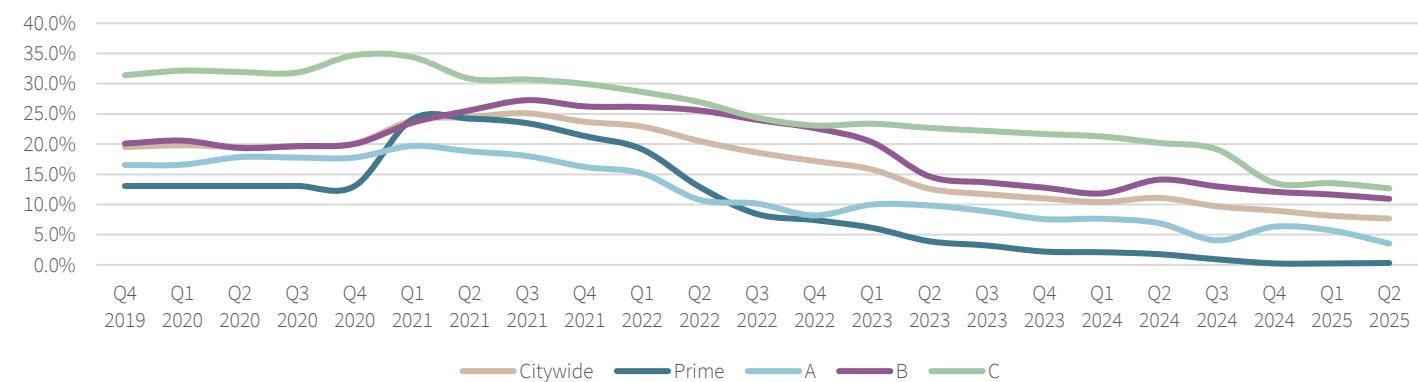
- Vacancy rates within Abu Dhabi's office market continued to decline in the second quarter of 2025, with citywide vacancy rates contracting to 1.5%. The Prime and Grade A market segments exhibited particularly robust performance, achieving low vacancy rates of 0.1% and 1.7%, respectively. The ongoing reduction in available space reflects limited supply alongside sustained tenant demand in the capital's office market.
- Limited availability of space and strong demand continue to put pressure on vacancy rates in Dubai, particularly for Prime and Grade A properties, which reached a low 0.3% and 3.5% respectively in Q2. The overall citywide vacancy rate also dropped down to 7.5%, down from 11.1% a year earlier, as occupiers continue to secure the limited quantum of available space.

Vacancy Rates

Abu Dhabi, Vacancy Rate, %



Dubai, Vacancy Rate, %



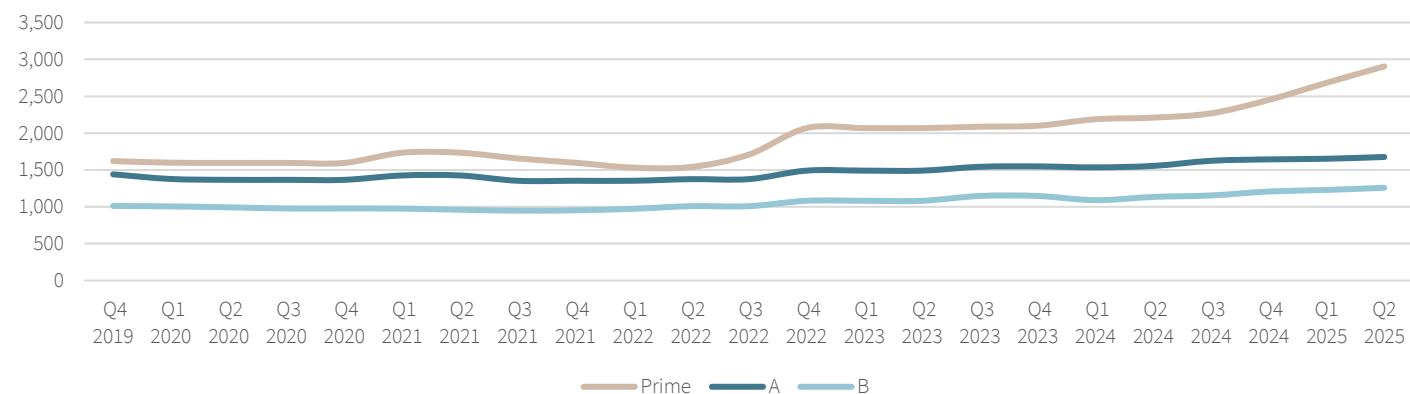
Source: JLL Research, 2025

Commentary

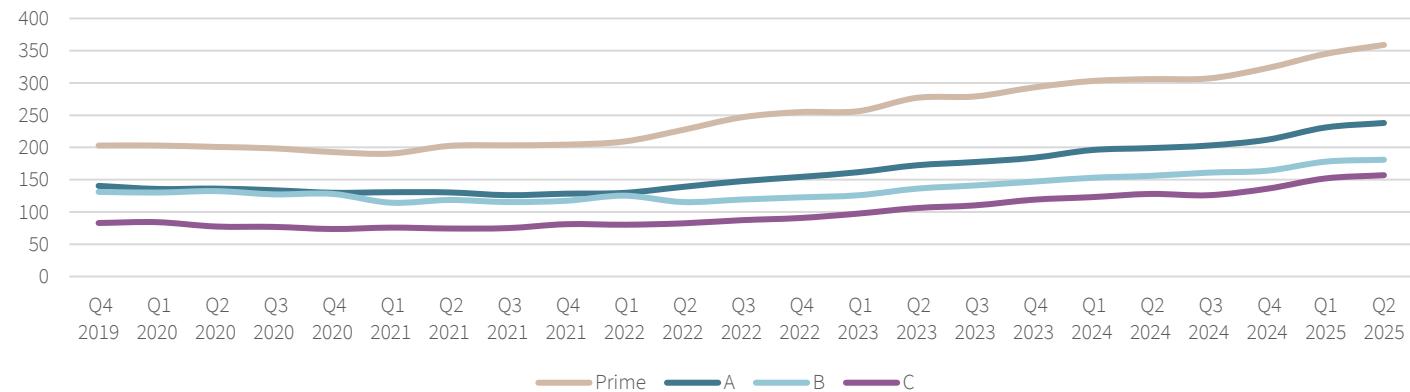
- Prime office space rates in Abu Dhabi reach AED 2,905 per sq. m. per annum, showcasing a 31.5% year-on-year growth rate. Average rents for Grade A and Grade B properties noted increases of 7.8% and 10.9% during the same period, raising average rents to AED 1,676 and AED 1,258 per sq. m. per annum, respectively.
- Dubai's office rental rates rose across all segments in Q2 2025. Prime rents reached AED 359 per sq. ft. per annum, up 17.3% from a year earlier. Grade A and B rents were recorded at AED 238 and AED 181 per sq. ft. per annum, up 19.5% and 16.0% respectively. Average Grade C rents stood at AED 157 per sq. ft. per annum, with growth rates in this market segment reaching 22.9% in the year to Q2 2025.
- Landlords significantly increased asking rates in the office market, widening the gap between quoted prices and tenant budget expectations. These elevated rates often represented opportunistic pricing for scarce remaining spaces rather than reflecting typical achieved rents.

Rental Rates

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



Dubai, AED/Sq. Ft., By Grade



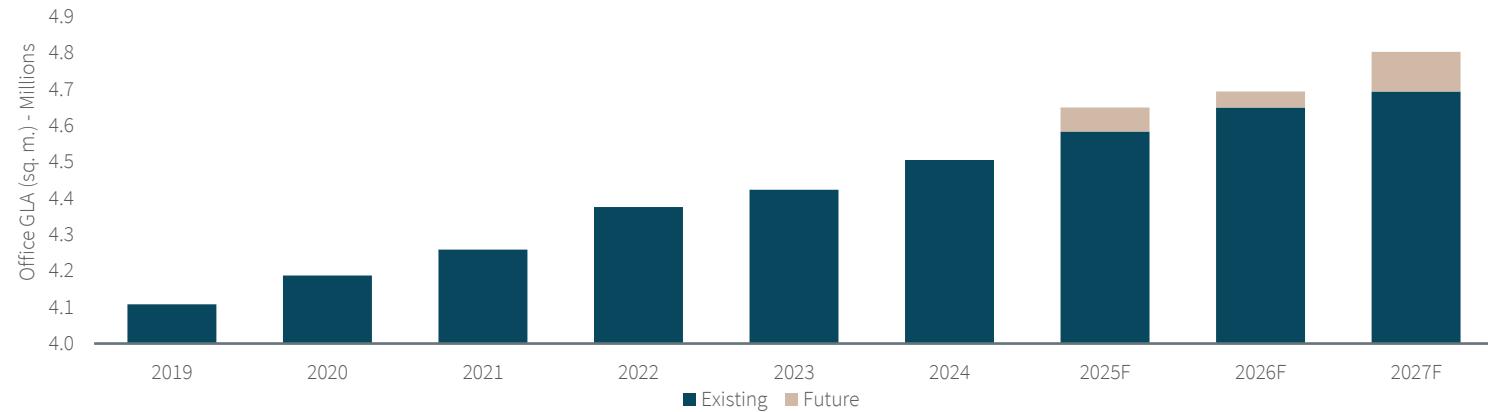
Source: JLL Research, 2025

Commentary

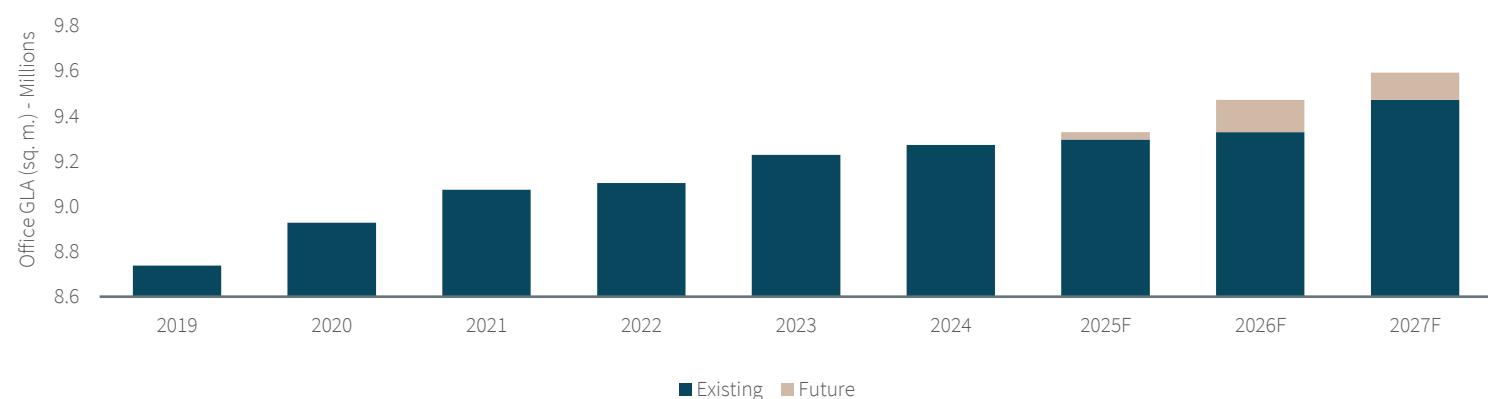
- Abu Dhabi's office inventory expanded by approximately 78,000 sq. m. during the second quarter, predominantly consisting of Grade B quality space, raising total stock to near 4.6 million sq. m. An additional 66,000 sq. m. of office space is scheduled for delivery in the remaining two quarters of the year. The market is anticipated to experience constraints in Grade A availability in the near term, with significant relief not expected until early 2026 when the next wave of premium office developments is projected to reach completion.
- Dubai's office stock increased by around 24,000 sq. m. during the second quarter, increasing total stock to around 9.3 million sq. m. of gross leasable area (GLA). For the remaining half of the year, future supply remains modest with close to 33,000 sq. m. of additional space is expected to come online. Substantial new inventory is primarily scheduled for delivery in 2026 and 2027, totalling approximately 264,000 sq. m. of GLA. A significant portion of this forthcoming supply is Grade A specification, predominantly concentrated within the Dubai International Financial Centre.

Supply

Abu Dhabi, Existing and Future Supply



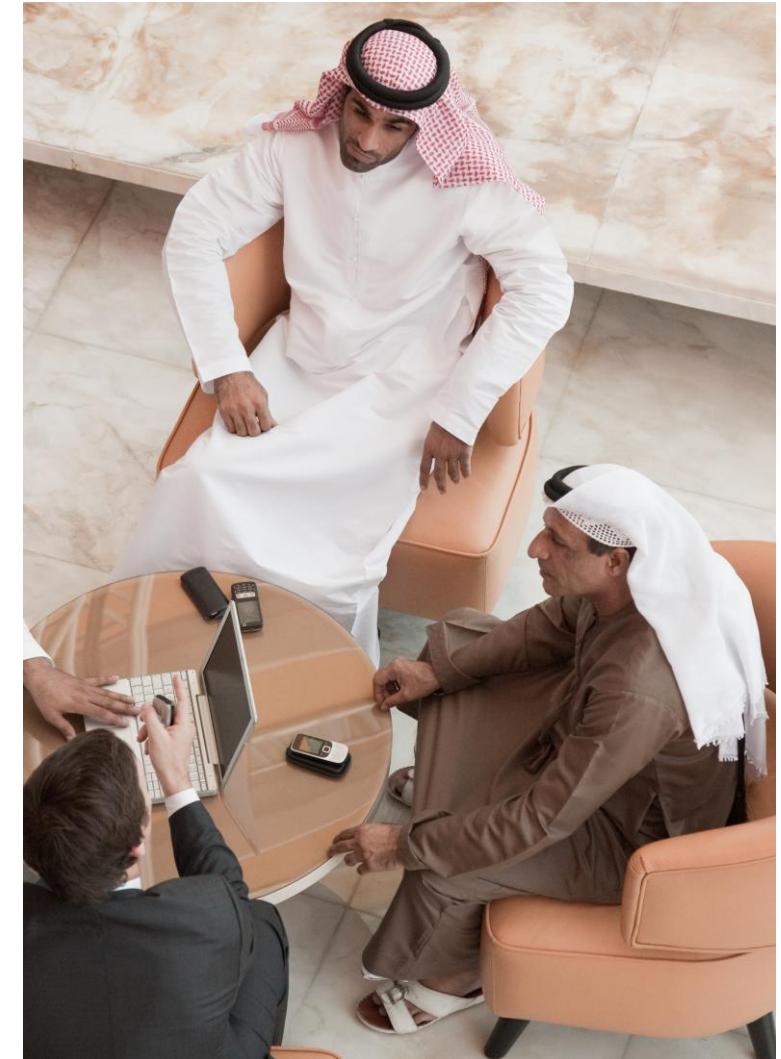
Dubai, Existing and Future Supply



Source: JLL Research, 2025

Outlook

- The office markets in both Abu Dhabi and Dubai are projected to maintain landlord-favourable conditions throughout the short to medium term horizon. This advantageous position for landlords stems from the persistent imbalance between supply and demand fundamentals, particularly in the Prime and Grade A segments. The scarcity of high-quality office stock, coupled with robust occupier demand driven by economic diversification initiatives and corporate expansion, has created a market environment where landlords maintain significant negotiating leverage.
- This dynamic will continue to enable landlords to maintain influence over lease terms, including rental rates, incentive packages, and contractual conditions. Occupiers will continue to face limited options when seeking premium space, often resulting in competitive bidding scenarios for desirable locations. Without substantial new deliveries in the immediate pipeline, this market imbalance is expected to persist, allowing landlords to optimize portfolio performance through strategic leasing approaches and measured rent increases.
- However, landlords will have to be evermore mindful at the rate of rental escalations going forward. Where, in the most recent quarters, even the most flexible and well-heeled occupiers now becoming more acutely price sensitive.



Research authors

Taimur Khan

Head of Research
Research
United Arab Emirates
taimur.khan@jll.com

Muhammad Aijaz

Associate
Research
United Arab Emirates
muhammad.aijaz@jll.com

Faraz Ahead

Director
Research
United Arab Emirates
faraz.ahmed@jll.com

Zenah Al Sareeji

Associate
Research
United Arab Emirates
zenah.alsaraeji@jll.com

To find out more about JLL services, contact:

Dana Williamson

Head of Offices, Business Space & Retail
Middle East and Africa
dana.williamson@jll.com

Mireille Azzam Vidjen

Head of Consulting
Middle East and Africa
mireille.azzam@jll.com

Tim Millard

Head of Value and Risk Advisory
Middle East and Africa
tim.millard@jll.com

Colin Dowall

Head of Property & Asset Management Services
Middle East and Africa
colin.dowall@jll.com

Gary Tracey

Head of Project Development & Services
United Arab Emirates
gary.tracey@jll.com

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