UAE Market Dynamics Q2 2025

JLL SEE A BRIGHTER WAY

Contents

Key trends

1

Off-plan market drives transactions

- Sales transactions volumes were dominated by the off-plan market, supported by healthy off-plan launches across both Dubai and Abu Dhabi. Both markets also saw secondary market sales record a marked an increase in activity.

2

Sales prices continue to climb

- Prices maintained positive trajectory, especially amongst villa properties. Market equilibrium between supply and demand is expected to moderate price growth in specific segments, initially affecting outdated inventory in secondary locations.

3

Rental market continues to stabilise

- Tenant preference for renewals persisted across both cities. Delivery of new residential supply, affordability constraints and updated rental regulations are helping stabilise rent increases.
- Investors and landlords may witness marginal adjustment in yields in selected areas.

4

New initiatives aim to promote sales

- Key initiatives in Dubai such as “First-Time Home Buyer Programme” and “Real Estate Tokenisation Project” aim to expand access to property ownership and promote innovation in the real estate market.

By the numbers

AED 153.7 bn
Dubai sales value in Q2 2025

32,400
Under construction (units) Abu Dhabi & Dubai H2 2025

+44.5%
YoY increase in total value of sales in Dubai

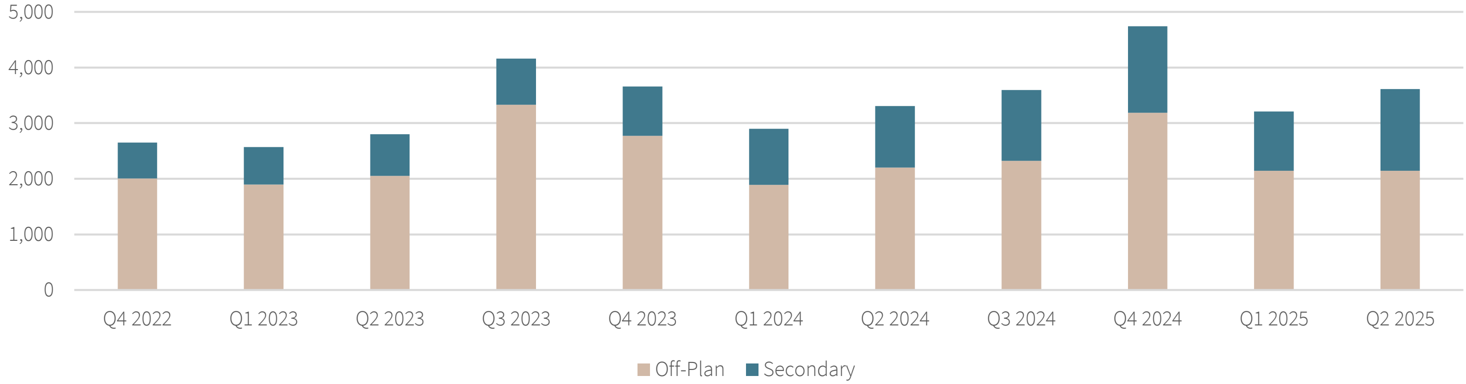
+12.1%
Average increase in Abu Dhabi’s average sales prices

Commentary

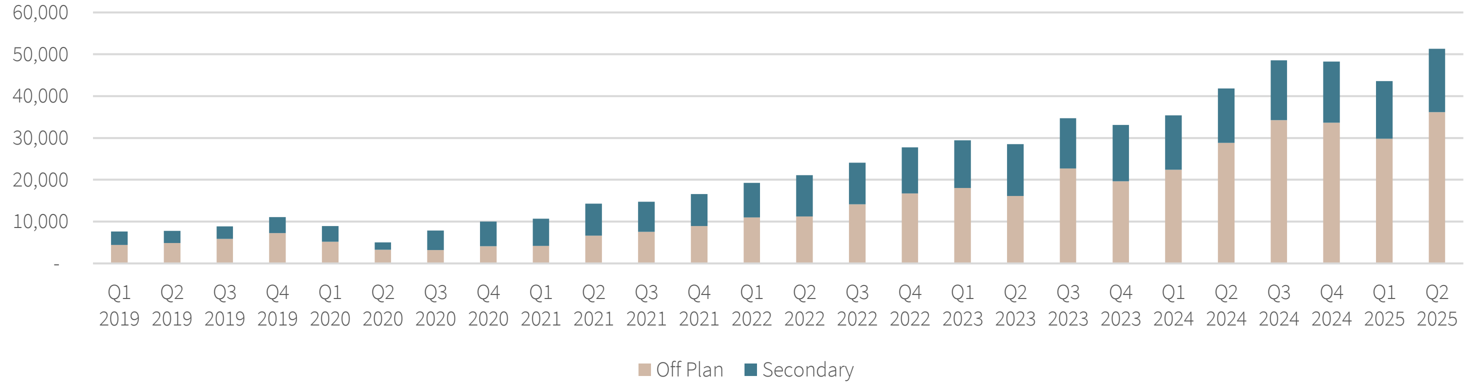
- In the capital, sales transaction volume increased by 9.1% in Q2 2025 compared to the same period last year, despite a modest decline of 2.7% in the off-plan segment. This growth was supported by a robust 32.6% increase in secondary market sales, although off-plan transactions continued to maintain a majority market share. The secondary market has demonstrated continued growth in the second quarter, extending a trend observed since the beginning of the year.
- Demand in Dubai's residential market exhibited continued growth in the second quarter, with total sales transactions rising by 22.8% year-on-year, predominantly driven by the off-plan segment. This represents an extension of the trend observed earlier in the year, as developers consistently introduced new off-plan projects to address investor demand. Furthermore, the secondary market demonstrated robust performance with a 17.1% year-on-year increase in volume, indicating sustained demand across both segments and confirming a balanced market dynamic.

Sales Transaction Volumes

Abu Dhabi, Sales Volumes, By Type



Dubai, Sales Volumes, By Type



Source: ADREC, REIDIN

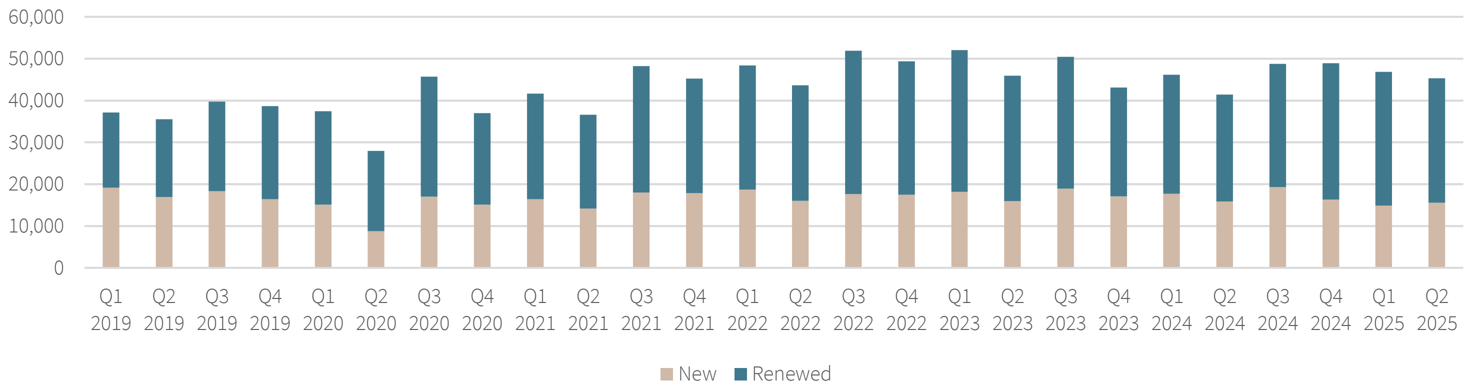
Commentary

- Rental contract renewals accounted 65.7% of total rental contract registrations in Q2 2025, up from 61.6% a year earlier. This increase is in part being underpinned by tenants opting to maintain their current residences and avoid potential rental increases associated with relocation. Lease renewals increased by 16.6%, while new contracts decreased by 2.1%. Overall, the total volume of residential leases demonstrated strong growth of 9.4% compared to the corresponding period in the previous year. This highlights the robust rental demand in Abu Dhabi, underpinned by steady population growth.

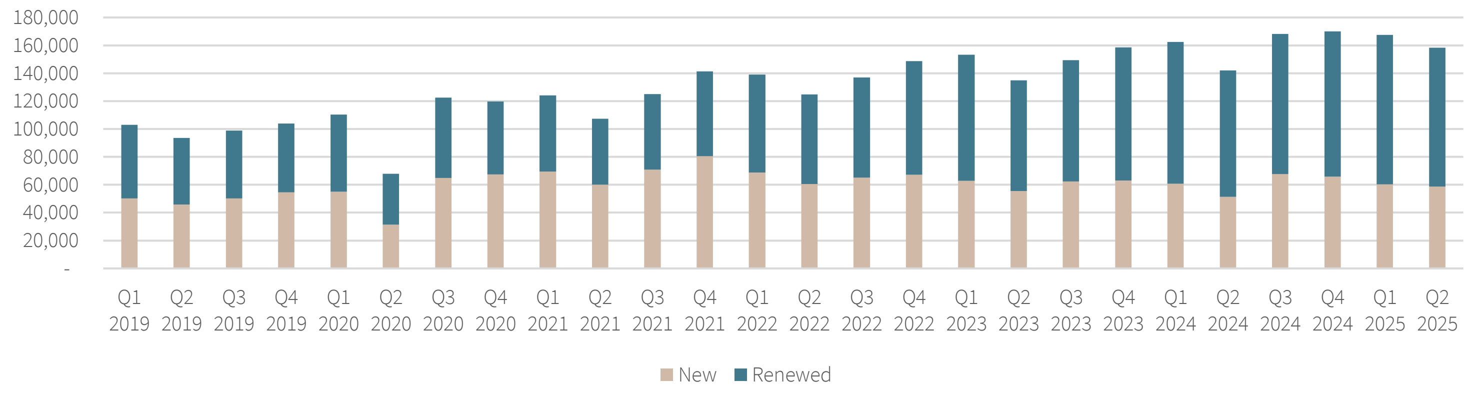
- Dubai's rental market demonstrated substantial growth across both new contracts and renewals, indicating strong demand from new and existing tenants alike. Compared to the corresponding quarter of the previous year, new contracts increased by 14.3%, while renewals rose by 9.9%. Although the volume of new contracts showed improvement compared to the prior year, renewals maintained dominance with a 63.0% majority share of total contracts, with new agreements comprising the balance. Overall, the total volume of registrations increased by 11.5% on an annual basis.

Rental Contract Volumes

Abu Dhabi, Rental Contract Registrations, By Type



Dubai, Rental Contract Registrations, By Type



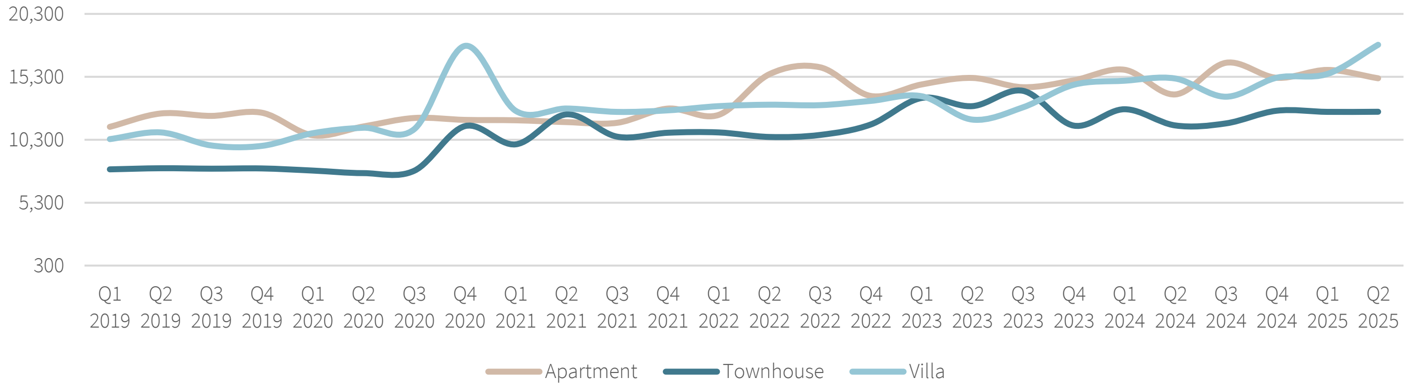
Source: Quanta, REIDIN

Commentary

- Average apartment and villa sales prices in Abu Dhabi increased by 14.4% and 11.1% in the year to Q2 2025. During the second quarter, the average rate per square metre of transacted* sales in key investment locations for apartments, townhouses and villas stood at AED 15,182, AED 15,523 and AED 17,845 respectively.
- Dubai's sales prices are showing early signs of adjusting in terms of pace of growth but overall remain at historic high, supported by healthy transactions levels. Apartment prices appreciated by 13.3% year-on-year, reaching AED 1,769 per square foot. During the same period, villa prices grew to AED 2,200 per square foot, representing a 16.0% annual increase. In the same period a year earlier, the year-on-year growth rates for apartment and villa sales prices stood at 20.4% and 22.1%.
- Market equilibrium between supply and demand is expected to moderate price growth in specific segments, initially affecting outdated inventory in secondary locations.

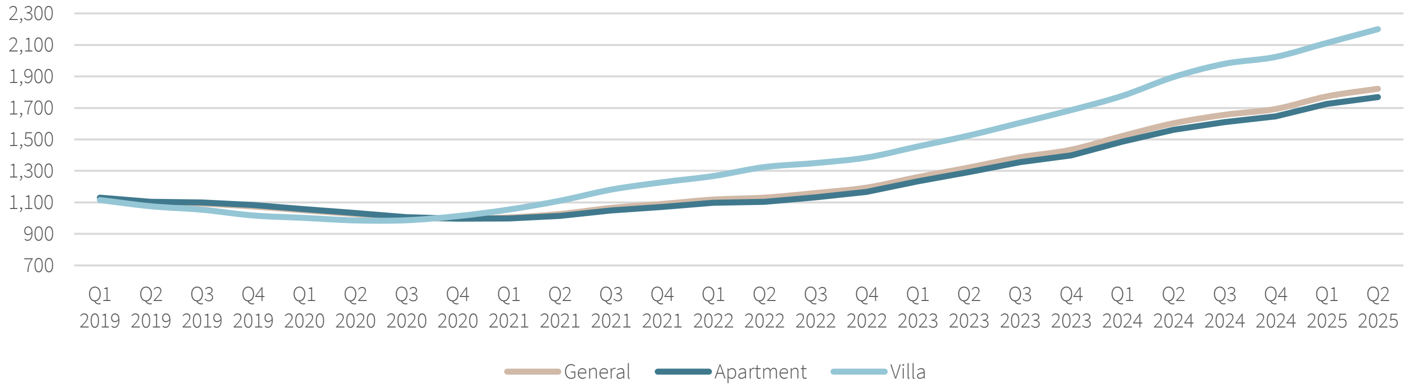
Sales Prices

Abu Dhabi, Sales Prices*, AED/Sq. m.



* The data is based on sales transactions registered in Al Jubail Island, Al Rahah, Al Reef, Al Reem Island, Al Saadiyat Island, and Yas Island only

Dubai, Sales Prices, AED/Sq. ft.



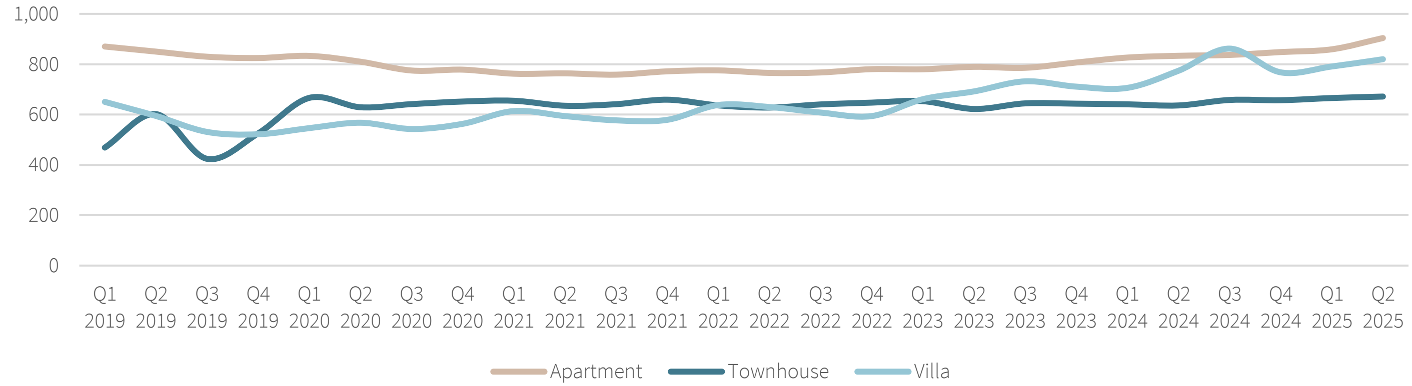
Source: JLL Research, REIDIN

Commentary

- In Abu Dhabi, rental rates for apartments and villas increased by 13.9% and 4.7% respectively in the 12 months to June 2025. More generally, tenant preferences have shifted toward contemporary residences offering enhanced amenities and lifestyle features, consequently diminishing demand for older developments.
- Dubai maintained the trajectory observed earlier in the year, with rental rates continuing to stabilise. On an annual basis, apartment rental rates increased by 7.2% while villa rentals rose by 5.3% in Q2. This stabilisation trend was more evident in quarterly figures, where apartment rents advanced by a minimal 0.4% while villa rentals experienced their first decline of 0.6%.
- For investors and landlords, while signalling market normalisation, rental adjustment may modestly affect yield performance in certain areas. However, this transition ultimately indicates progression toward more sustainable long-term market growth.

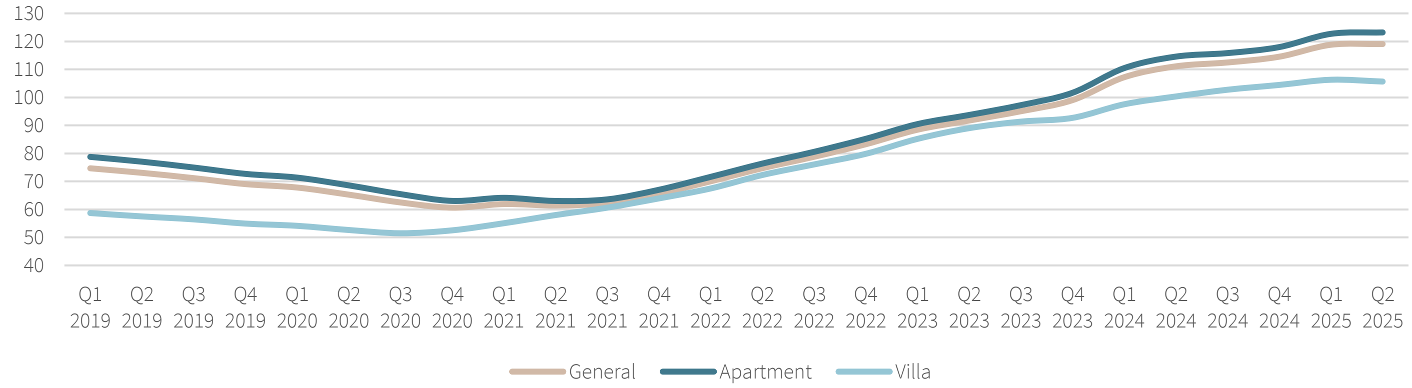
Rental Rates

Abu Dhabi, Rental Rates*, AED/Sq. m.



* The data is based on rental transactions registered in Al Jubail Island, Al Rahah, Al Reef, Al Reem Island, Al Saadiyat Island, and Yas Island only

Dubai, Rental Rates, AED/Sq. ft.



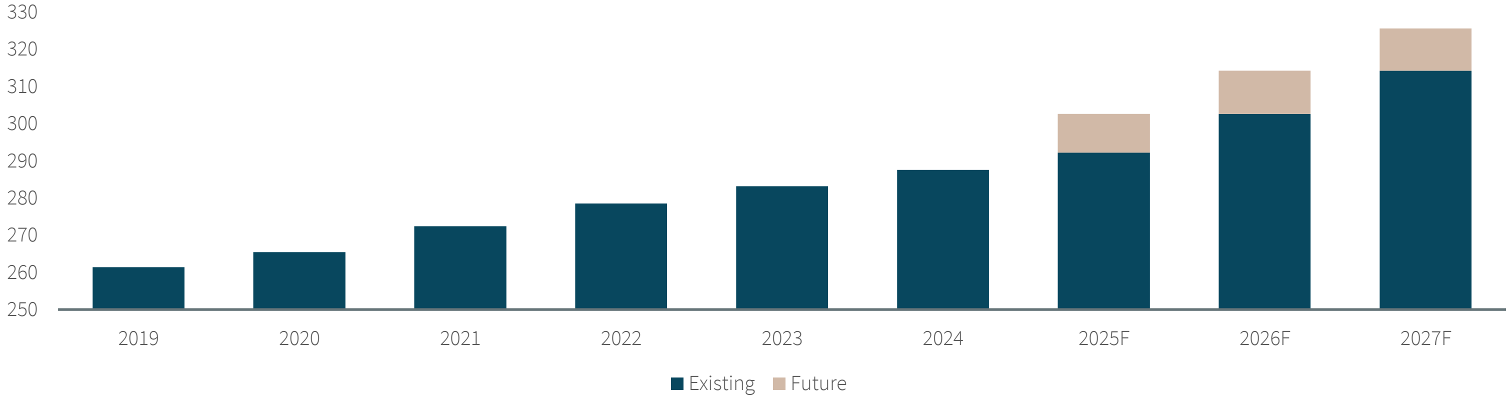
Source: JLL Research, REIDIN

Commentary

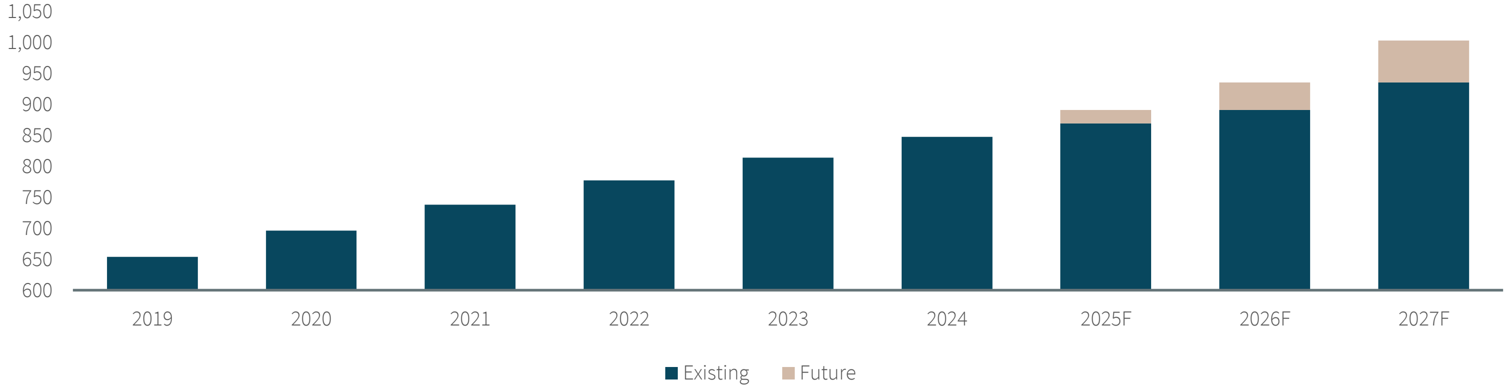
- Abu Dhabi added about 3,400 residential units in Q2 2025, increasing the total housing stock to around 292,000 units. An additional 10,400 units are scheduled for completion by the end of the year.
- Dubai's residential inventory reached approximately 869,000 units in Q2 2025, with 12,000 units delivered during the quarter. An additional 22,000 units are scheduled for completion in the second half of the year, primarily in Dubailand, Jumeirah Village, and Mohammed Bin Rashid City. Apartments constitute approximately 70.0% of this forthcoming supply.
- Dubai's long-term development pipeline as of Q2 indicates approximately 134,000 residential units scheduled for delivery over the next 30 months. This forecast will continue to evolve as newly announced projects commence construction in subsequent quarters. The realisation of this supply will be significantly influenced by construction capacity and cost dynamics and prevailing economic conditions.

Supply

Abu Dhabi, Historic and Future Supply, Units (000s)



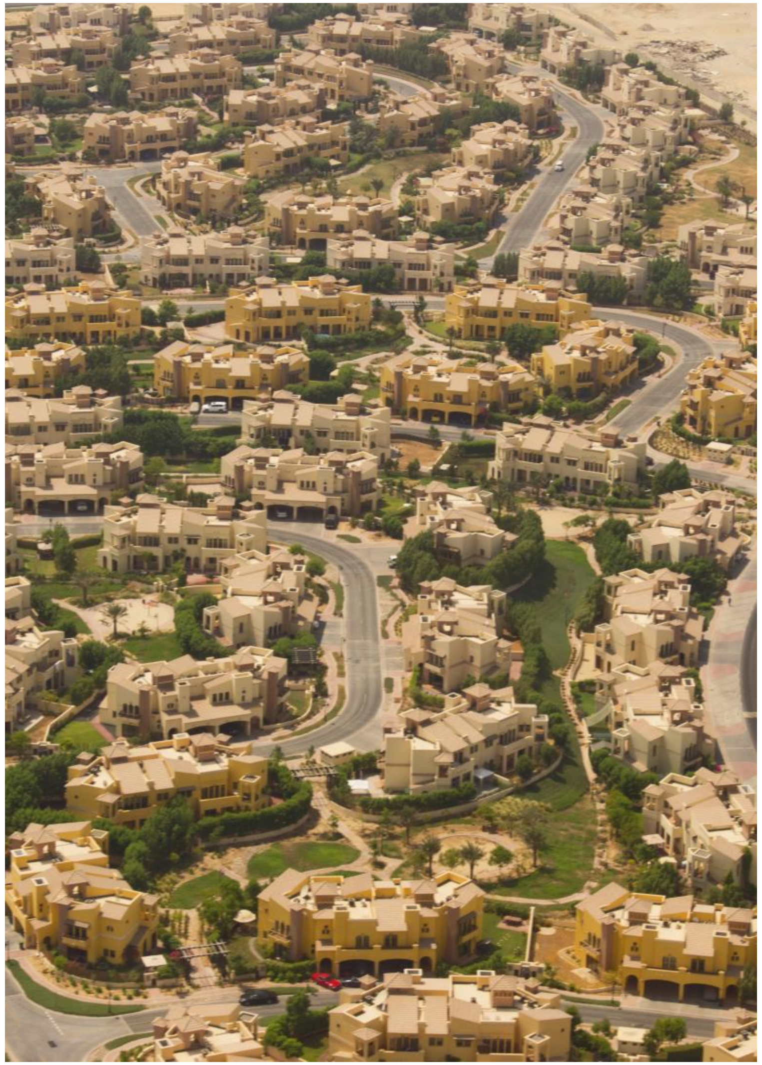
Dubai, Historic and Future Supply, Units (000s)



Source: JLL Research, 2025

Outlook

- Rising consumer interest in luxury living experiences is expected to drive greater demand for Abu Dhabi's branded residential segment. Investors benefit from these branded properties as they generally sell at higher price points than similar non-branded options, potentially yielding higher investment returns and maintaining their value more effectively. This growing appetite for luxury branded living experiences is driving developers to expand their offerings in this segment, attracting more internationally recognized luxury brands.
- Dubai's sales market is expected to maintain strong sales momentum despite anticipated price growth moderation. This stabilisation reflects an approaching supply-demand equilibrium, fostering a more sustainable pricing environment. The moderation will initially impact outdated inventory in secondary locations with the continual delivery of newer supply.
- Dubai's rental market is transitioning toward equilibrium, evidenced by decelerating growth rates in Q2, which signals a shift to more sustainable long-term market dynamics despite potential near-term yield adjustments for investors and landlords. Change in rental rates may result in localised adjustments to yields, particularly in areas with increasing supply or aging inventory. While this recalibration might temporarily moderate returns on investment in certain submarkets, it represents a healthy progression toward market maturity.



Contents

Key trends

1

New entrants expand search

- Combination of higher rents and limited availability in prime locations has pressed new market entrants to revise preferences and seek opportunities in secondary locations.

2

Change in F&B trends

- Demand for local concepts remained strong, focusing on casual and upper-casual dinning options. Traditional fast-food concepts have noted a decline in popularity as consumer preferences evolve.

3

E-commerce look to physical stores

- E-commerce brands are expanding into physical stores that serve dual purposes; showrooms where customers can experience products hands-on, and micro-fulfilment centres that enable fast local deliveries and pickup options.

4

Abu Dhabi's growing domestic demand

- There is strong demand for retail assets in residential communities, with occupiers particularly focused on convenience-centred support retail for daily needs. Premium destinations like Saadiyat, Al Maryah and Yas Islands that continue to attract international brands and F&B concepts.

By the numbers

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

98,000
Future stock (sq. m) - 2025
Dubai & Abu Dhabi

7.5%
Dubai vacancy

9.0%
Abu Dhabi vacancy

AED 826
Dubai Prime Rent (sq. ft)

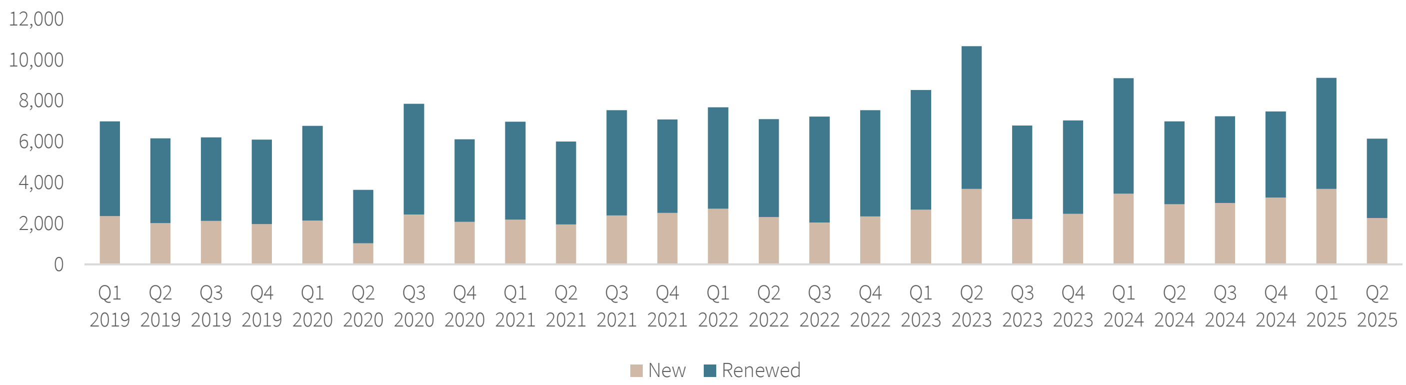
Commentary

- In Q2 2025, Abu Dhabi saw 6,145 rental contract registrations, down 12.1% from Q2 2024. This decrease has mainly stemmed from fewer new contract registrations. Retailers are choosing to renew existing leases rather than expand, due to limited space availability and minimal upcoming supply in the market.

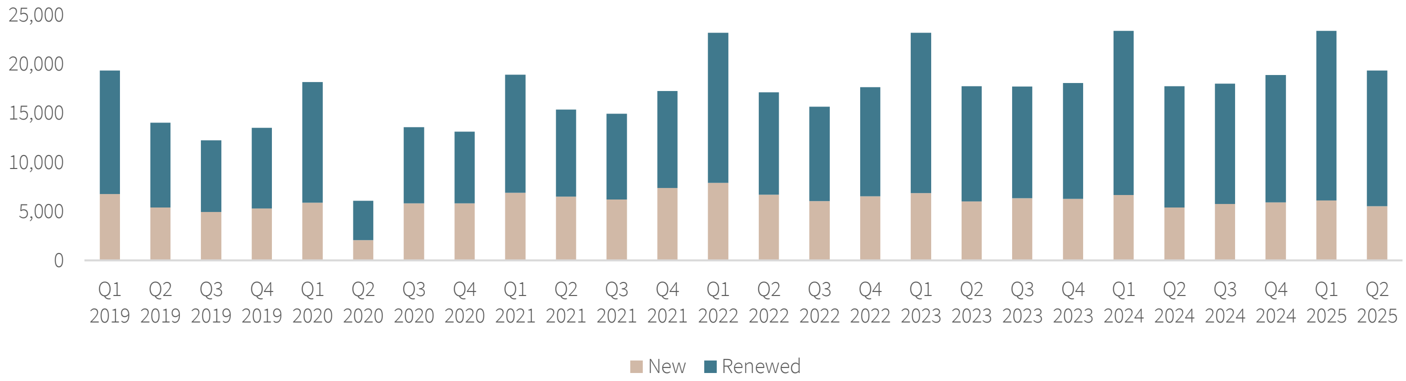
- Dubai's retail sector showed strong momentum in the second quarter, with overall contract registrations rising by 9.0% compared to the same period last year. This growth was driven by increases in both segments of the market - new contract registrations grew by 2.3%, while renewal contracts saw a more substantial increase of 11.9% year-on-year. The dual growth in both new and renewal contracts highlights Dubai's robust retail landscape. The modest increase in new contracts suggests that the market continues to attract fresh retailers looking to establish a presence in the city. Meanwhile, the more significant rise in renewal contracts demonstrates that existing retailers are finding value in maintaining their current locations.

Rental Contract Volumes

Abu Dhabi



Dubai



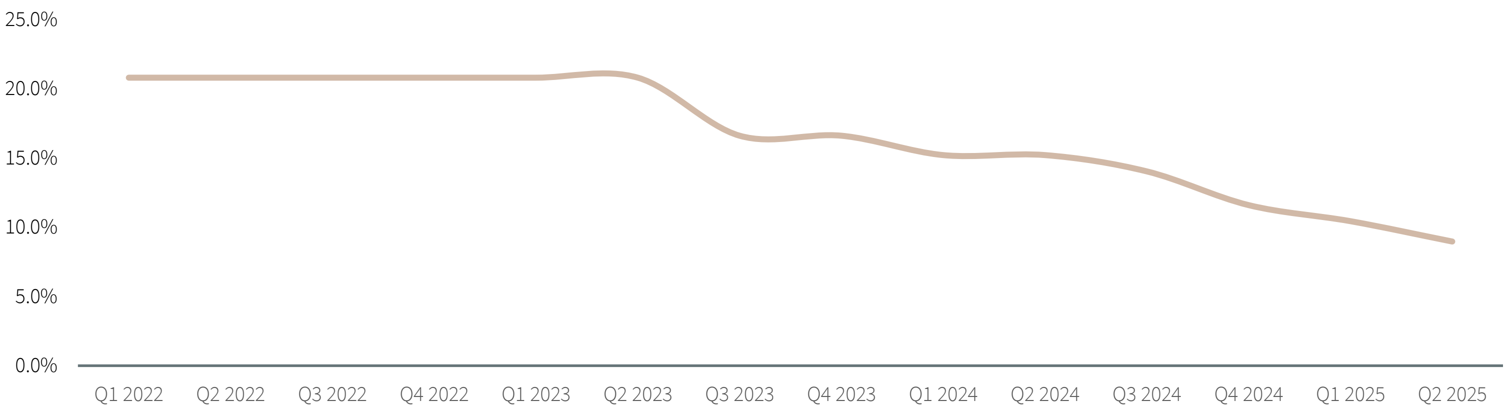
Source: Quanta, REIDIN

Commentary

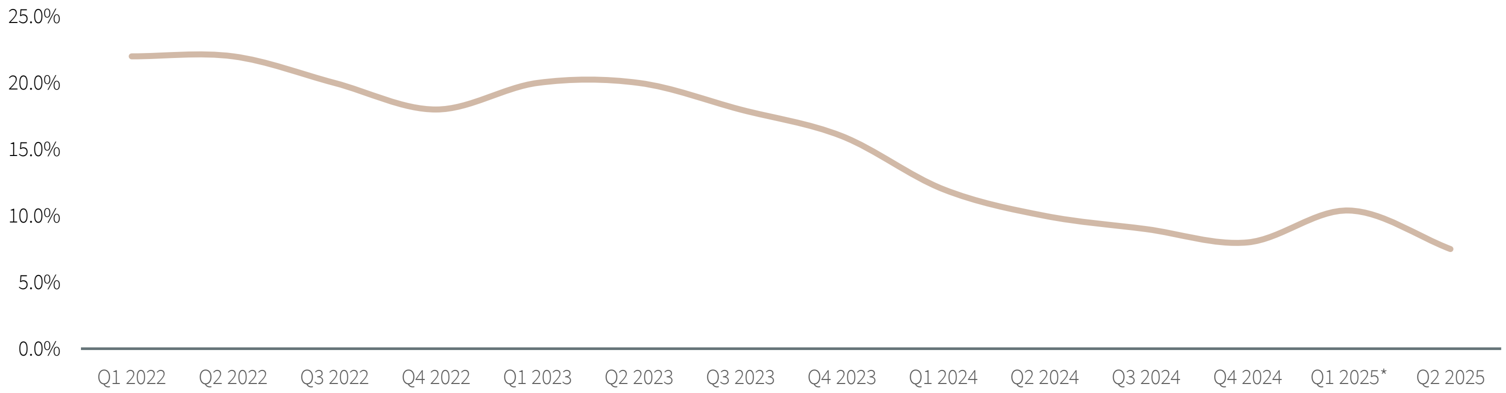
- Abu Dhabi's retail market remained strong with high demand for retail space, bringing the vacancy rate down to around 9.0% in Q2 this year. This improvement came from both steady demand and limited new retail space entering the market. These favourable conditions were likely to continue until significant new retail developments are delivered, which could then shift the balance between supply and demand.
- In Q2, Dubai's retail market performance varied by asset type. Prime super regional malls outperformed, with vacancy registering at 3.1%, demonstrating healthy demand. Super regional and regional malls tracked inline with overall market trends but showed comparatively elevated vacancy rates of 10.4% and 9.3% respectively. Convenience and neighbourhood retail centres maintained strong positions, with 5.0% and 9.2% vacancy rates, respectively, drawing consistent foot traffic from their surrounding residential catchments.

Vacancy Rates

Abu Dhabi, Citywide



Dubai, Citywide



Source: JLL Research, 2025

*JLL has enacted a methodological update in calculating retail vacancy rates which has resulted in a slight uptick for Q1 figures, which should not be interpreted as indicative of actual market conditions.

Commentary

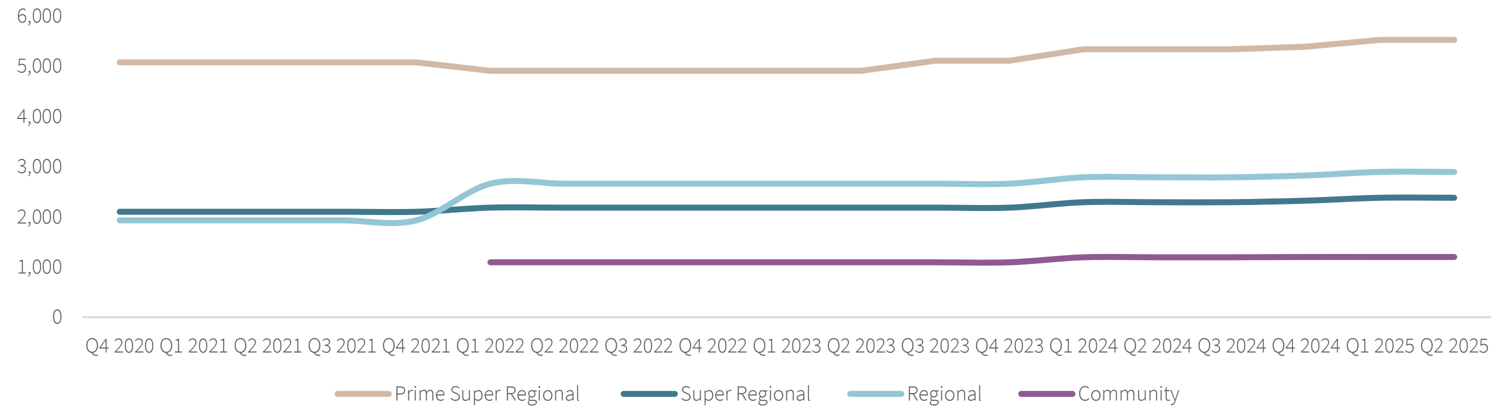
- Abu Dhabi's retail market performance remained relatively stable in the second quarter of 2025. Prime super regional rents climbed by 3.4% compared to last year, and now sit at AED 5,524 per sq. m. Both super regional and regional malls also improved with 3.9% and 3.8% increases in their respective rental rates. Community malls held steady with a slight 0.5% bump in rents from the previous year.

- In Dubai, the trajectory of retail rents remained generally positive throughout the second quarter, with increases noted across all major asset types. Prime super regional rents saw substantial growth of 15.1%, reaching AED 826 per sq. ft., while super regional mall rents increased by 7.4%, averaging around AED 211 per sq. ft.

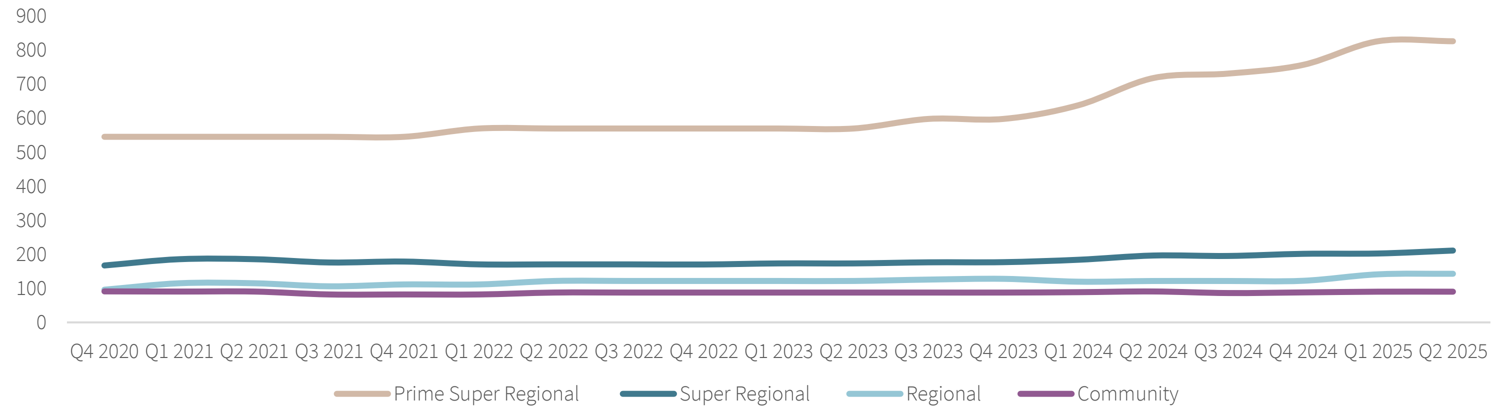
- The two-tiered market dynamic continues to strengthen, with top-tier malls attracting premium rates due to their superior foot traffic, tenant mix, and overall shopping experience. This gap reflects retailers' willingness to pay premium prices for high-performing locations while being more price-sensitive for less prominent developments.

Rental Rates

Abu Dhabi, AED/SQM



Dubai, AED/Sq. Ft.



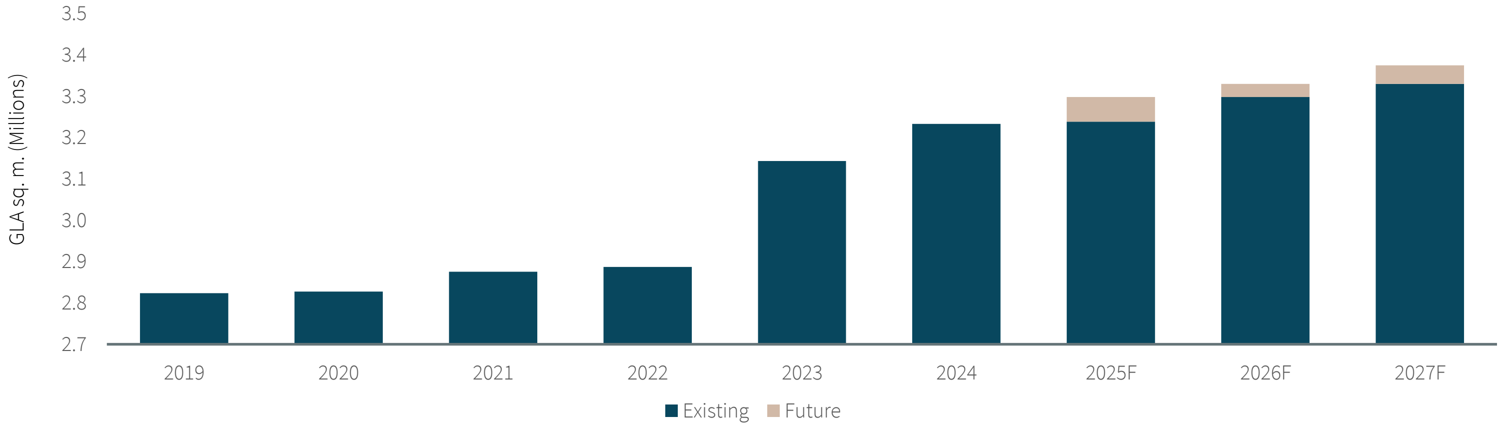
Source: JLL Research, 2025

Commentary

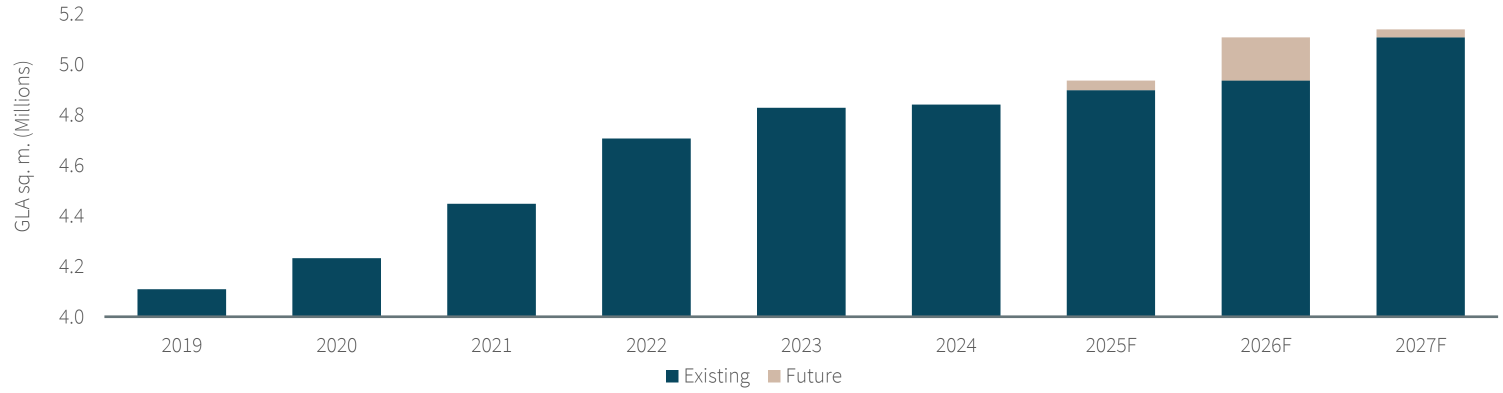
- Abu Dhabi's retail inventory held steady at 3.23 million sq. m. in Q2. For the rest of the year, about 59,000 sq. m of new retail space is expected, with a large portion coming from a regional mall development. Looking ahead, developers are prioritizing neighbourhood and convenience retail projects to serve the expanding master-planned communities.
- Dubai's retail footprint held stable at 4.89 million sq. m during Q2, with an additional 39,000 sq. m of community and neighbourhood retail space anticipated by year-end. The outlook for next year appears more robust, featuring a significant super regional mall expansion. Overall, retail developers with plans to develop new malls are aware of changing market conditions and are adopting a wait-and-see approach before committing to launching new projects.

Supply

Abu Dhabi



Dubai



Source: JLL Research, 2025

Outlook

- The sector continues to evolve strategically around enhanced consumer engagement, with retailers increasingly leveraging data analytics and technological innovation to deliver highly personalised shopping experiences. Physical retail spaces are being reimagined as experiential destinations, with brands deploying creative pop-up activations to drive foot traffic in an increasingly competitive landscape.

- The F&B sector is evolving, with landlords actively expanding space allocations to accommodate growing demand for food and beverage concepts. Local F&B brands are gaining substantial momentum, with landlords increasingly preferring these homegrown concepts due to their streamlined decision-making processes and faster operational turnaround times compared to international chains. Consumer preferences are shifting toward casual and upper-casual dining experiences, while traditional fast-food concepts are experiencing a notable decline in popularity. In response to these trends, developers are converting former food courts into family entertainment zones with improved dining options to better meet market demands.

- Market conditions are projected to continue favouring landlords across prime locations in the short to medium term. While individual landlords may exercise discretion with select tenants, there is a notable reduction in incentives during lease negotiations, with previously common capital expenditure contributions becoming increasingly rare. Lease agreements now typically combine base rent with turnover provisions, becoming the standard practice.

Contents

Key trends

1

Landlord favourable market

- With limited available inventory, industrial tenants are primarily opting to renew existing leases. The market strongly favors landlords, resulting in minimal incentives being offered to occupiers.

2

Demand drives rental growth

- Warehouse rates showed significant growth in Q2, with Abu Dhabi seeing a 22.4% rise to AED 470 per sq. m and Dubai experiencing a 19.9% increase to AED 46 per sq. ft.
- Premium industrial locations commanded top market rates, with KEZAD leading Abu Dhabi at AED 500 per sq. m, while Dubai's centrally located Al Quoz achieved AED 65 per sq. ft due to its strategic positioning.

3

Demand in key zones for new projects

- Demand exceeds supply across Dubai's key industrial zones including JAFZA, Dubai South, Al Quoz, and Dubai Investment Park, creating waitlists for prospective tenants. In response, developers are launching new projects.

By the numbers

AED 470
Abu Dhabi rents (per sq. m)

+22.4%
Abu Dhabi rental growth

AED 46
Dubai rents (per sq. ft)

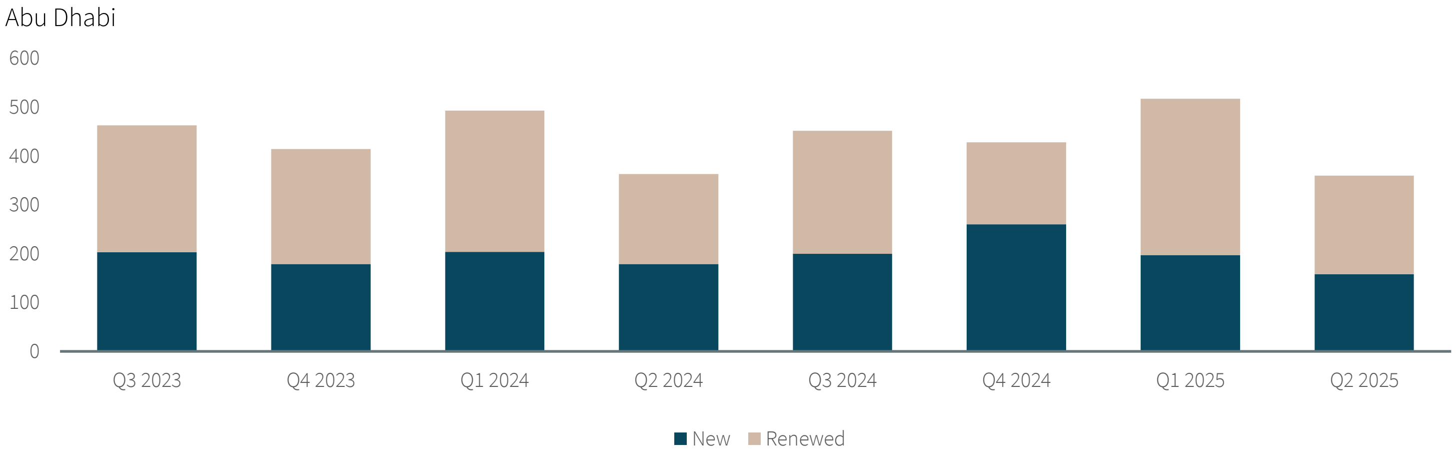
+19.9%
Dubai rental growth

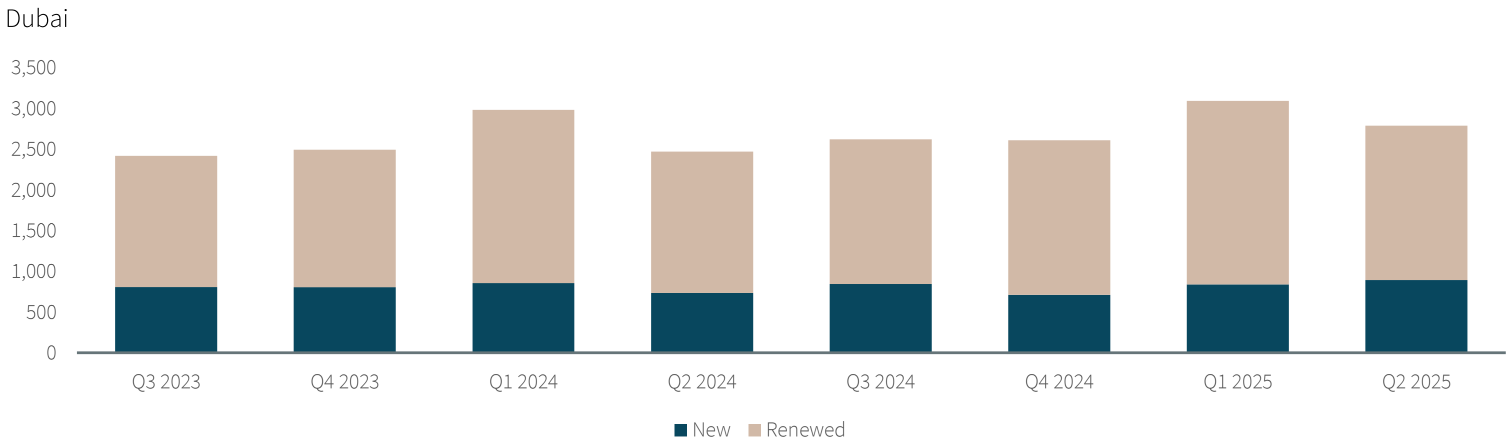
2,790
Registered contracts (Dubai)

Commentary

- During the second quarter, Abu Dhabi experienced a modest 0.8% year-on-year decrease in warehouse rental contract volumes, primarily attributable to an 11.7% reduction in new lease agreements. Amid the ongoing industrial supply constraints, tenants demonstrated a preference for leases renewals, as evidenced by a 9.8% annual increase in contract renewals compared to the corresponding period last year.
- In Q2, Dubai's industrial leasing market demonstrate robust activity, with total registered lease contracts increasing by 13.0% compared to the same period last year. This growth was predominantly driven by a 21.6% surge in new lease agreements, indicating strong market demand for additional space. The positive momentum was further reinforced by existing tenants' continued commitment to the market, as evidenced by a 9.3% increase in contract renewals. This balanced growth across both new leases and renewals signals a resilient industrial real estate sector with sustained occupier confidence.

Rental Contract Volumes (Warehouses)





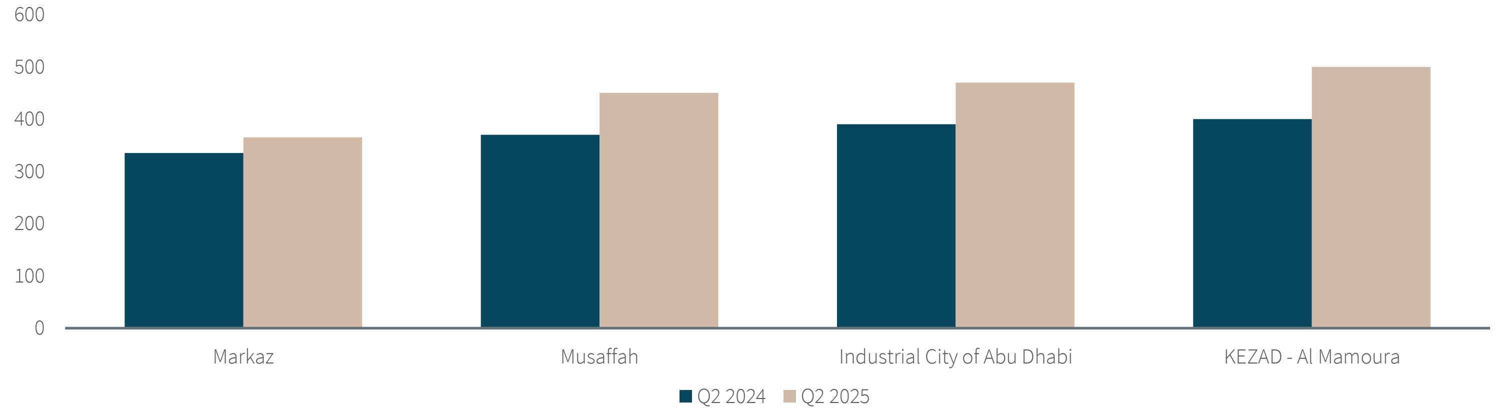
Source: Quanta, REIDIN

Rents

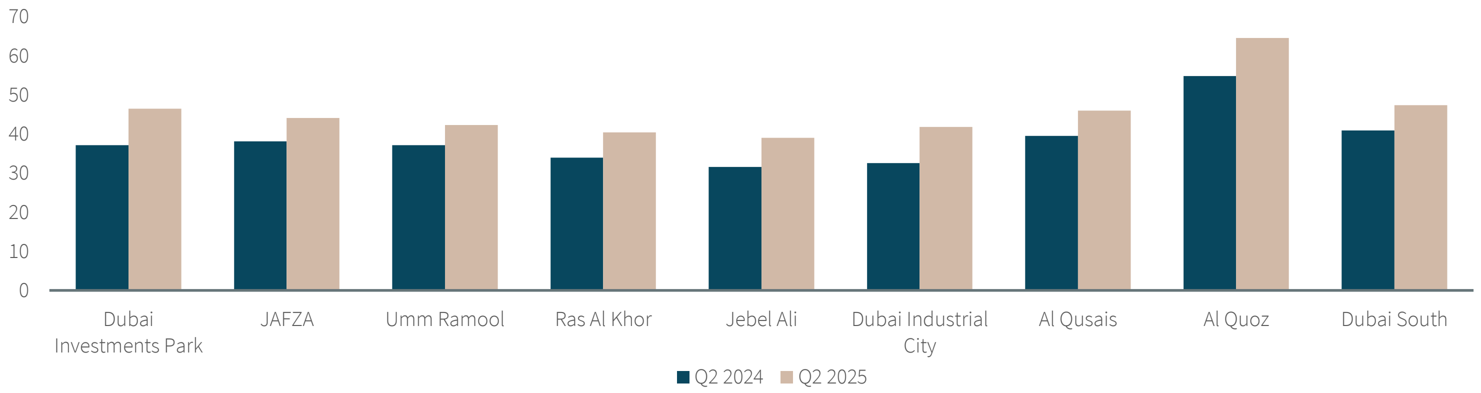
- Abu Dhabi's industrial warehouse sector exhibited robust rental performance in Q2, with average rates climbing to AED 469 per sq. m, marking a 22.4% increase compared to the same period last year. Prime industrial locations, particularly KEZAD – Al Mamoura, achieved premium rates of AED 500 per sq. m, marking a 25.0% year-on-year increase.
- Across Dubai, warehouse rents grew by 19.2% over the last year, reaching a city average of AED 46 per sq. ft. Al Quoz, with its central location and accessibility, remained one of the most in-demand industrial zone, commanding rates of AED 65 per sq. ft, which represented a 17.8% year-on-year increase.
- Despite offering more legacy inventory, industrial locations including Ras Al Khor and Jebel Ali commanded average rental rates of AED 39-40 per sq. ft and continued to record year-on-year appreciation, reflecting the market's persistent demand fundamentals across all asset quality tiers.

Warehouse Rental Rates

Abu Dhabi, AED/sq. m



Dubai, AED/sq . ft.



Source: JLL Research, 2025

Outlook

- UAE government-led industrial initiatives will continue to accelerate warehouse and logistics development, drive up occupancy rates, and prompt developers to launch new projects to meet the rising demand from both international and local businesses establishing operations in the UAE. As a result, the industrial real estate market is poised for long-term growth, with increasing demand for quality facilities in industrial zones and free zones.
- Industrial occupiers are increasingly targeting Free Zone developments that provide established infrastructure and premium facilities. With demand exceeding available space in prominent Free Zones such as JAFZA and Dubai South, as well as key locations in Al Quoz and Dubai Investment Park, waitlists have formed for prospective tenants. In response to this market dynamic, developers are anticipated to introduce additional projects to address the sustained demand.
- Dubai's industrial zones are now almost at full capacity due to strong growth, causing businesses to look at nearby markets. Abu Dhabi and Northern Emirates are experiencing increased industrial activity with similarly high occupancy rates. This trend will likely continue as companies search for space and the market works to balance supply and demand.

Contents

Key trends

1

Reduced impact from seasonality

- The UAE's hospitality continued to perform strongly in Q2. Despite the fact that this period is traditionally considered to be the low season, we have seen robust performance across all key performance indicators, signalling a shift in the market's seasonal patterns.

2

Balanced and diversified demand

- Healthy demand enabled strong performance across all price points, including budget, midscale and luxury segments. Shifting from luxury driven to a more balanced and sustainable market.

3

New hotels charge premium rates

- The introduction of new, design-led and amenity rich, premium-quality properties in the current market, particularly within Dubai's luxury and beachfront segments, is enabling operators to set new benchmark rates, with dated developments struggling to compete in terms of quality, standards and amenities offered.

By the numbers

33,300 keys
Existing stock (Abu Dhabi)

157,600 keys
Existing stock (Dubai)

+22.7%
ADR Growth – Abu Dhabi

9.88 million
Overnight visitors H1 2025 - Dubai

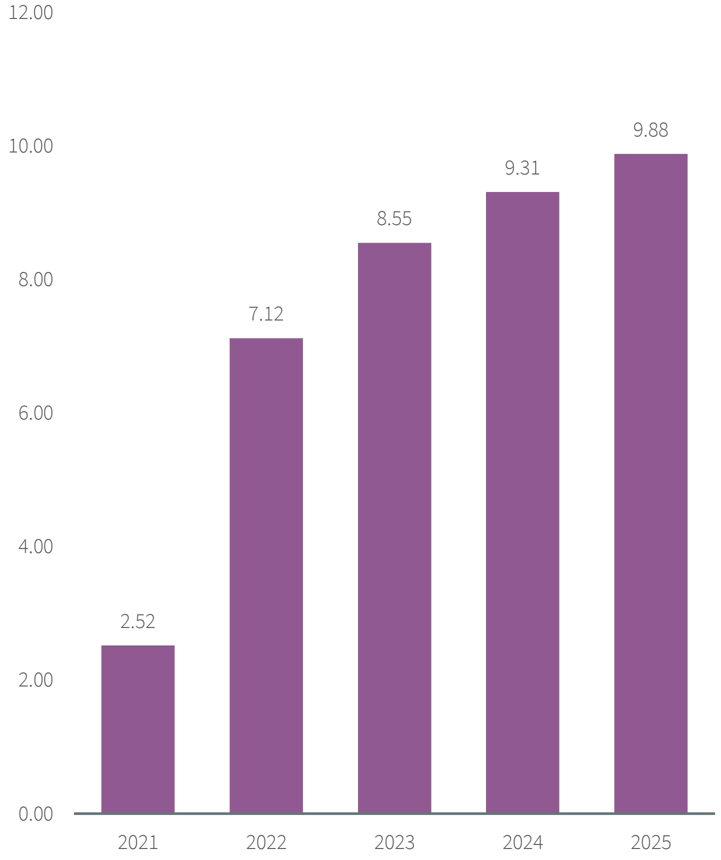
AED 754.5
ADR YT June - Dubai

Tourism activity

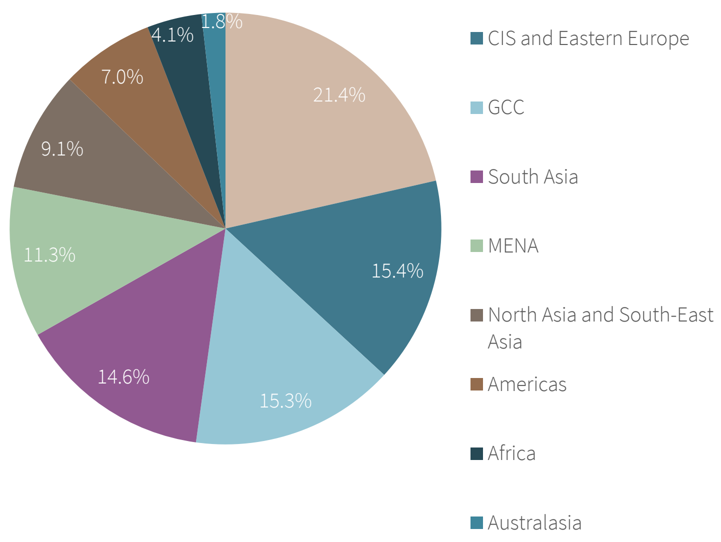
- For the first half of the year, visitation to Dubai reached 9.88 million, a 6.1% increase compared to the same period last year. Visitors from Western Europe, the Commonwealth of Independent States (CIS) along with Eastern Europe, and the Gulf Cooperation Council (GCC) countries accounted for the majority of total visitation.
- From a source market perspective, the GCC source markets exhibited the strongest performance with a 19.1% visitor growth compared to the previous year. Australasia emerged as the second-highest performer, noting a 14.3% growth, while Western Europe witnessed a solid 12.0% increase in visitor numbers relative to the January-June 2024 period.

Dubai, Visitation

Overnight Visitors, Jan-June, (Millions)



Overnight Visitors by Region, Jan-June 2025



Source: Dubai Department of Economy & Tourism (DET)

Performance

- The UAE's hospitality continued to perform strongly in Q2. Despite the fact that this period is traditionally considered to be the low season, we have seen robust performance across all key performance indicators, signalling a shift in the market's seasonal patterns.
- Abu Dhabi continues to broaden its appeal and expand its range of source markets. More so, the sector has also seen a marked shift in the quality and variety of assets being offered which is underpinning growth in the capital's performance metrics. In the year to date to Q2 2025, Abu Dhabi saw a strong occupancy rate of 80.3%, up 2.9 pp, while the average daily rate (ADR) increased surged by 22.7% to reach AED 693. This performance further drove revenue per available room (RevPAR) up by 26.3% to average AED 557.
- Dubai's hotel market maintained positive momentum throughout the second quarter. Occupancy increased to 81.4%, while the ADR grew by 5.5% to AED 754, the highest in the UAE. As a result, RevPAR increased by 10.2%, reaching an average of AED 614. Over the same period, in Ras Al-Khaimah, the ADR and occupancy increased by 7.4% and 1.4 pp respectively, which in turn lead to an 8.9% increase in RevPAR.

Key Performance Indicators

YTD YoY to June 2025

	ADR (AED)	Occupancy	RevPAR (AED)	ADR % change	Occupancy PP change	RevPAR % change
UAE	719.7	80.4%	578.3	+7.9%	+4.0%	+12.2%
Abu Dhabi	692.7	80.3%	556.6	+22.7%	+2.9%	+26.3%
Dubai	754.5	81.4%	613.9	+5.5%	+4.5%	+10.2%
Ras Al-Khaimah	635.4	71.9%	456.8	+7.4%	+1.4%	+8.9%

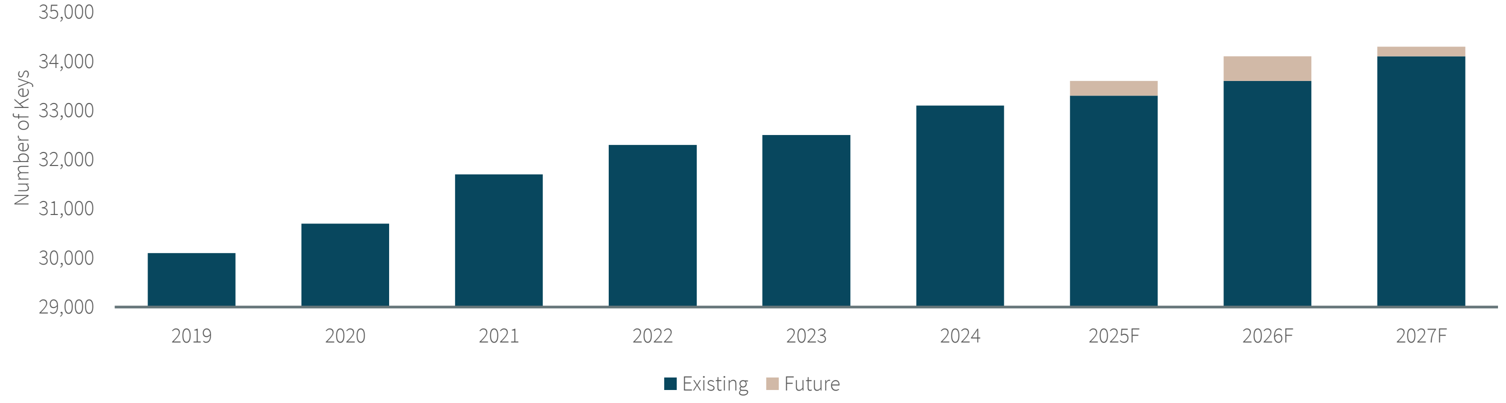
Source: STR Global

Development activity

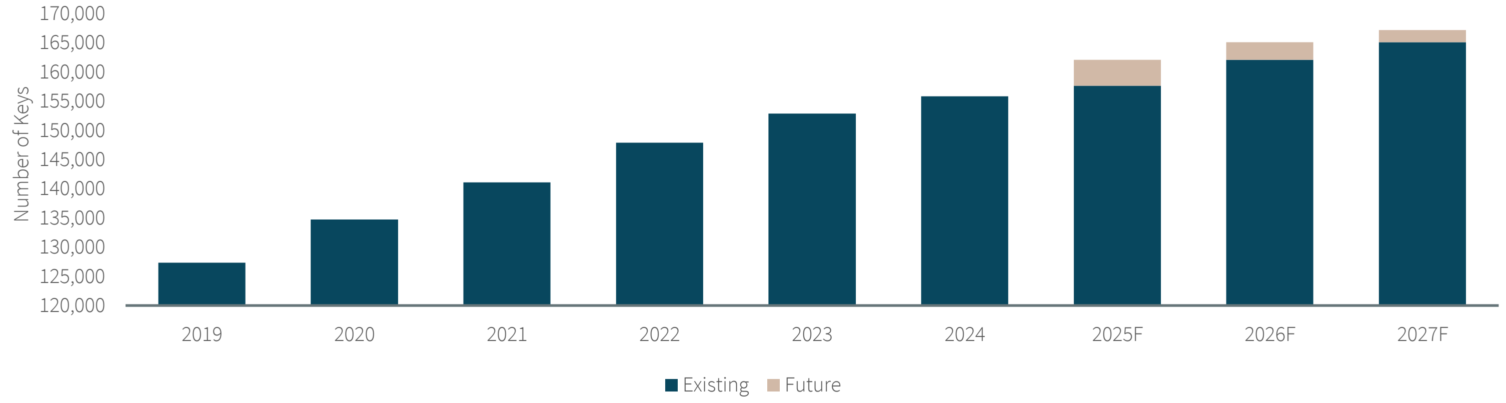
- Abu Dhabi's hotel inventory increased to 33,300 keys during Q2, with the addition of roughly 200 keys of serviced apartments. The second half of the year is projected to bring approximately 300 additional keys to the market. Looking at the broader timeline, the emirate anticipates a total expansion of around 1,000 keys over the next two and a half years.
- Furthermore, legacy hotel stock in Abu Dhabi is expected to see rebranding activity accelerate, and renovations to help improve products offerings, especially with the upper-scale and luxury segments.
- Dubai maintained its hospitality inventory at 158,000 keys throughout the second quarter, with no significant additions to the market. The latter half of the year is scheduled to welcome 4,400 new keys, primarily in the upscale and luxury segments (4- and 5-star properties). The introduction of new, design-led and amenity rich, premium-quality properties in the current market, particularly within Dubai's luxury and beachfront segments, is enabling operators to set new benchmark rates, with dated developments struggling to compete in terms of quality, standards and amenities offered.

Historical deliveries and pipeline

Abu Dhabi



Dubai



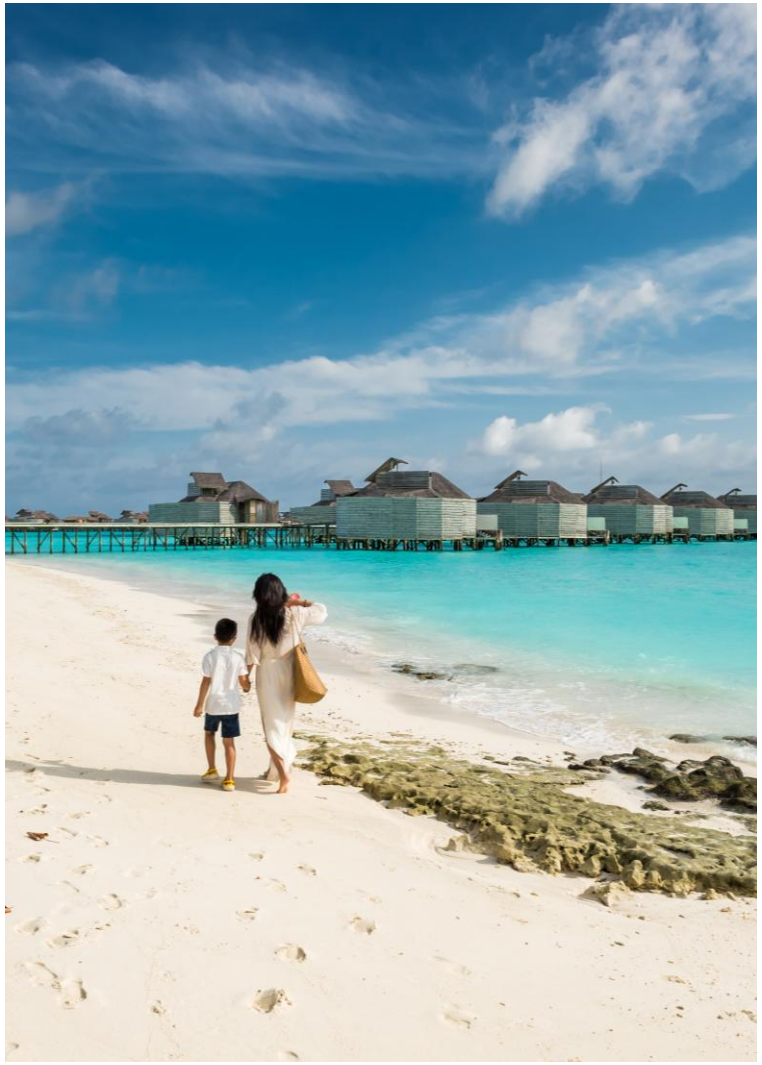
Source: JLL Research, 2025

Outlook

- The announcement of the Disney-branded theme park in Abu Dhabi will continue to bolster the emirate's position as a global leisure destination. The project will notably impact the hospitality market in the long-term, boosting international visitation and contributing to the wider market's performance. Hotels across all segments are likely to experience heightened demand, extended average length of stay, and potentially stronger pricing dynamic during peak seasons. Additionally, this will likely stimulate further investment in complementary hospitality infrastructure, from food and beverage offerings to specialized accommodations.

- The hospitality industry is experiencing a notable transformation in operational structures, with property owners increasingly pivoting from traditional Hotel Management Agreements (HMAs) toward franchise models. This shift is primarily driven by financial considerations, as owners express growing concerns about the escalating costs, substantial fees, and complex procedural requirements inherent in management contracts with established hotel brands. As the market continues to evolve, this transition is likely to gain greater significance as owners seek to maximise returns in an increasingly competitive landscape.

- Dubai's premium beachfront and luxury segment is anticipated to experience rate adjustments in the medium term. Currently, operational revenue management approaches prioritise occupancy maximization rather than rate optimisation. However, for long-term sustainability, operators will need to implement more strategic revenue management practices that secure higher average daily rates while accepting marginally reduced occupancy levels.



Contents

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.)

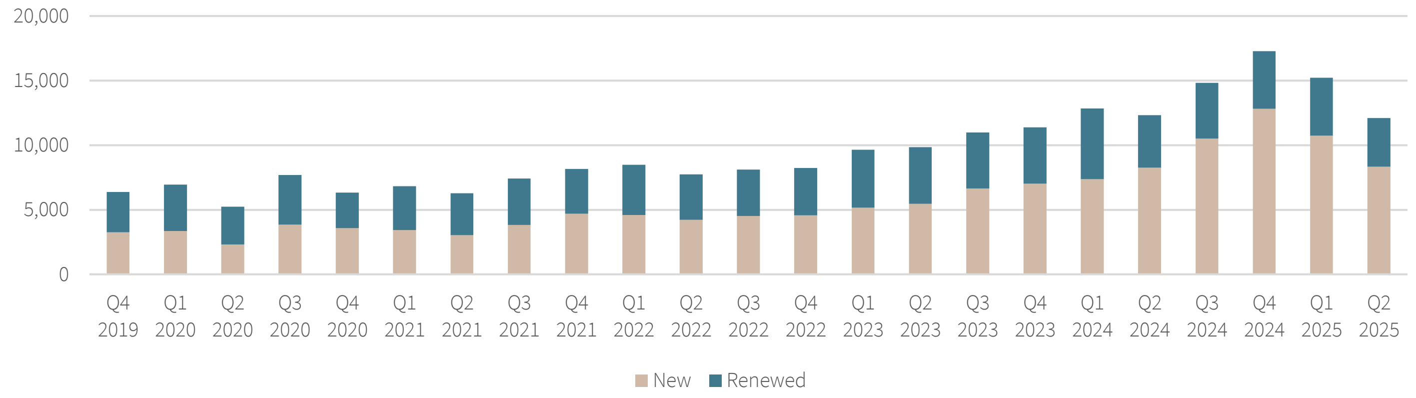
AED 359
Dubai Prime rent (AED/sq. ft.)

Commentary

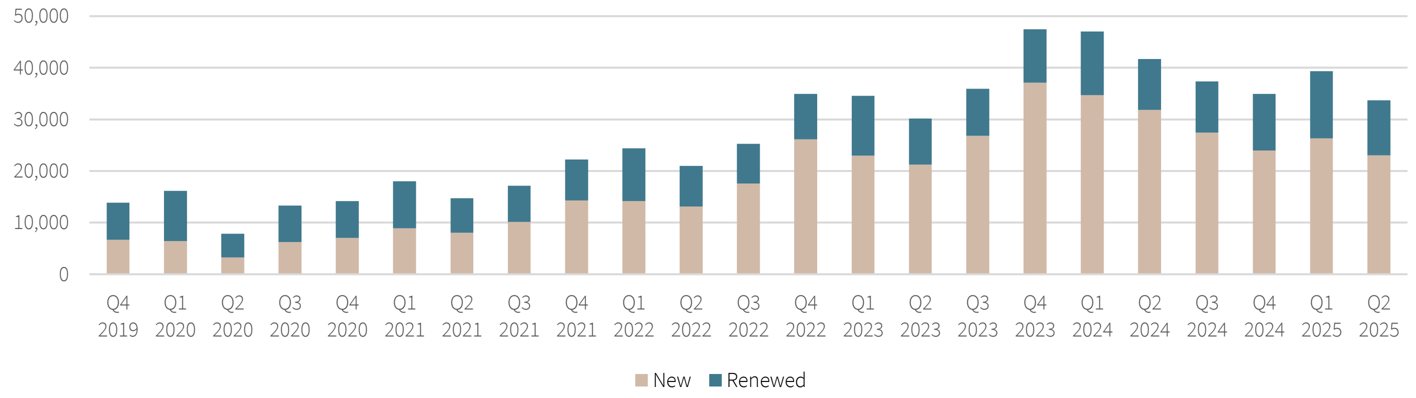
- In the second quarter, Abu Dhabi's office sector saw a dip in activity, of 1.9% year-on-year, in the total volume of registered leases, largely due to a 7.5% year-on-year decline in renewals. However, renewals saw a marginal increase of 0.8% during the same period.
- Dubai's office sector saw a more 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



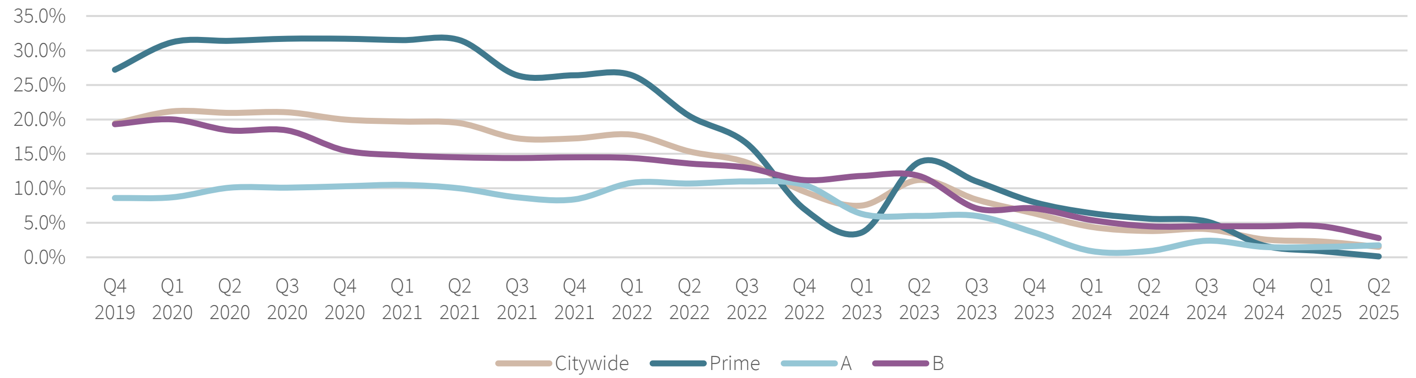
Source: Quanta, REIDIN

Commentary

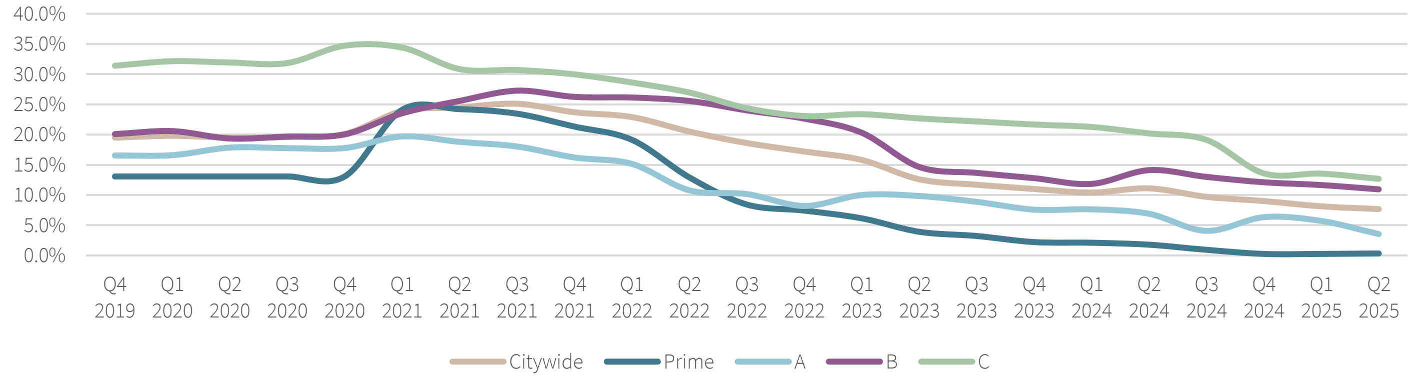
- Vacancy rates within Abu Dhabi's office market continued to decline in the second quarter of 2025, with citywide vacancy rates contracting to 1.5%. The Prime and Grade A market segments exhibited particularly robust performance, achieving low vacancy rates of 0.1% and 1.7%, respectively. The ongoing 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, %



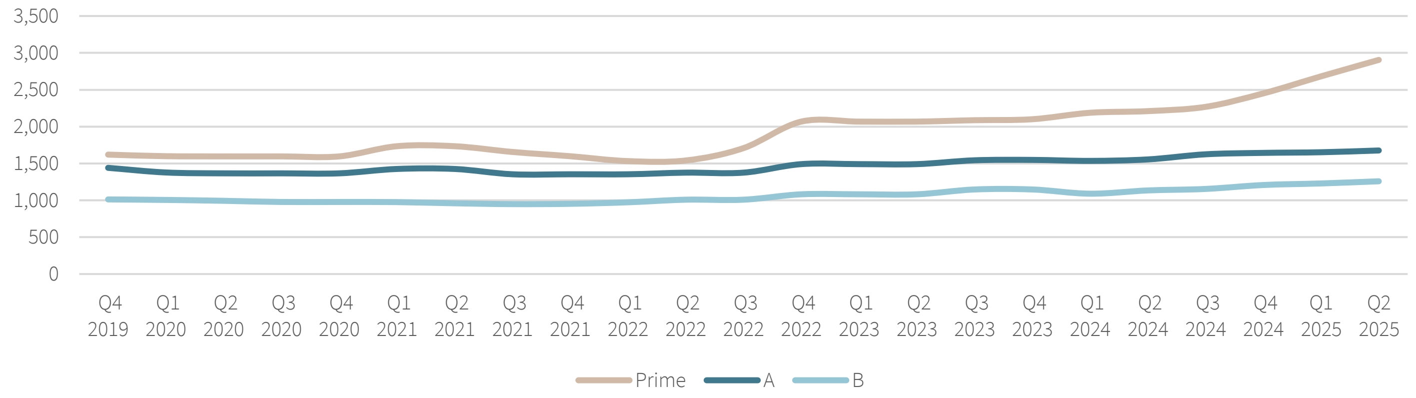
Source: JLL Research, 2025

Commentary

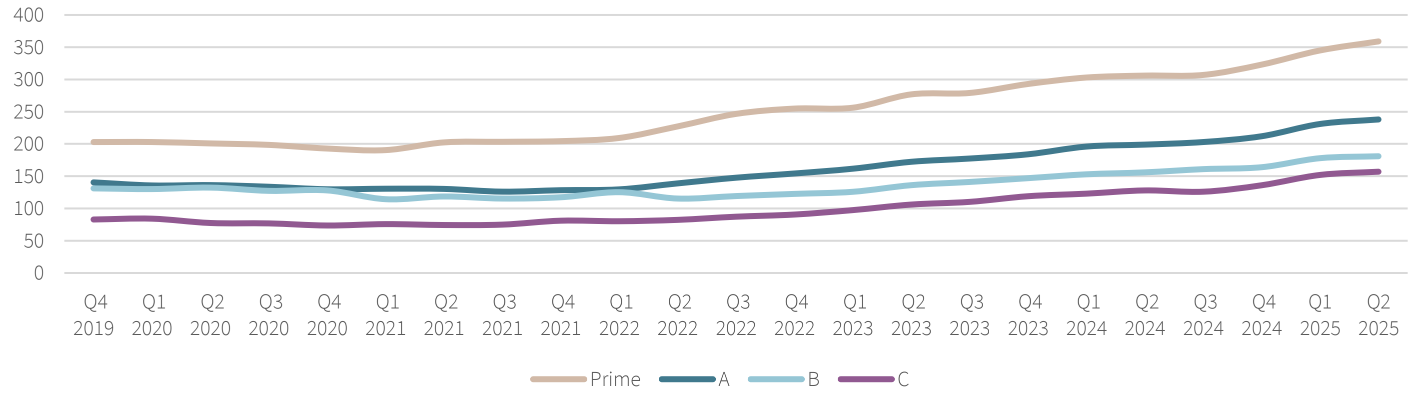
- Prime office space rates in Abu Dhabi reach AED 2,905 per sq. m. per annum, showcasing a 31.5% year-on-year growth rate. Average rents for Grade A and Grade B properties noted increases of 7.8% and 10.9% during the same period, raising average rents to AED 1,676 and AED 1,258 per sq. m. per annum, 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



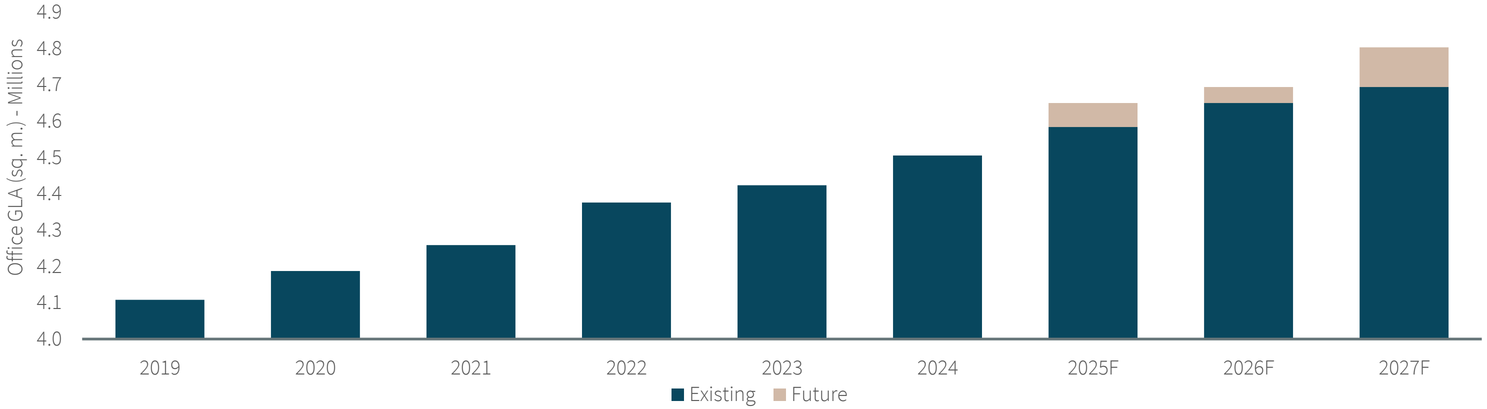
Source: JLL Research, 2025

Commentary

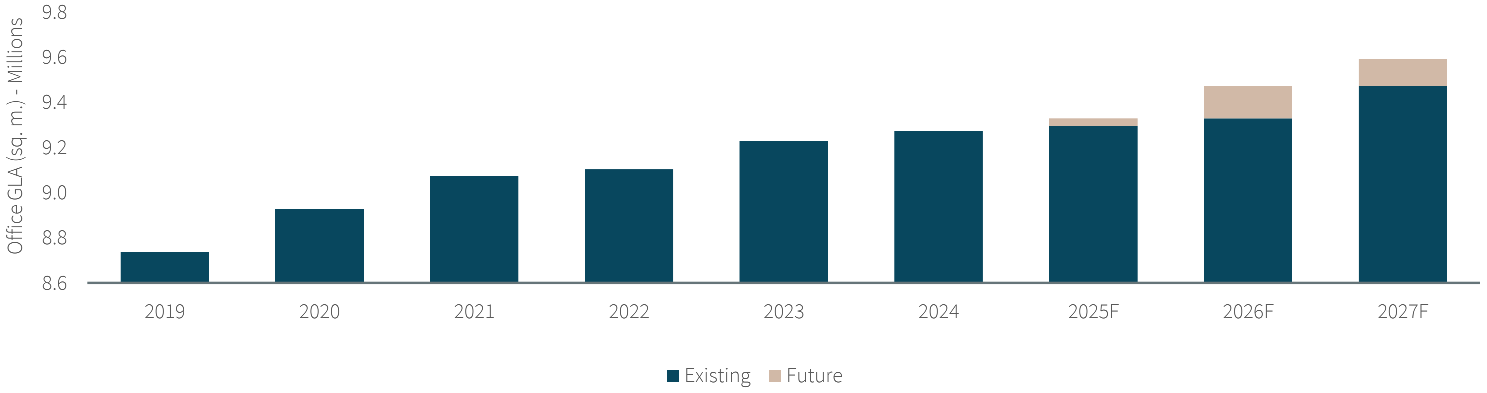
- Abu Dhabi's office inventory expanded by approximately 78,000 sq. m. during the second quarter, predominantly consisting of Grade B quality space, raising total stock to near 4.6 million sq. m. An additional 66,000 sq. m. of office space is scheduled for delivery in the remaining two quarters of the 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



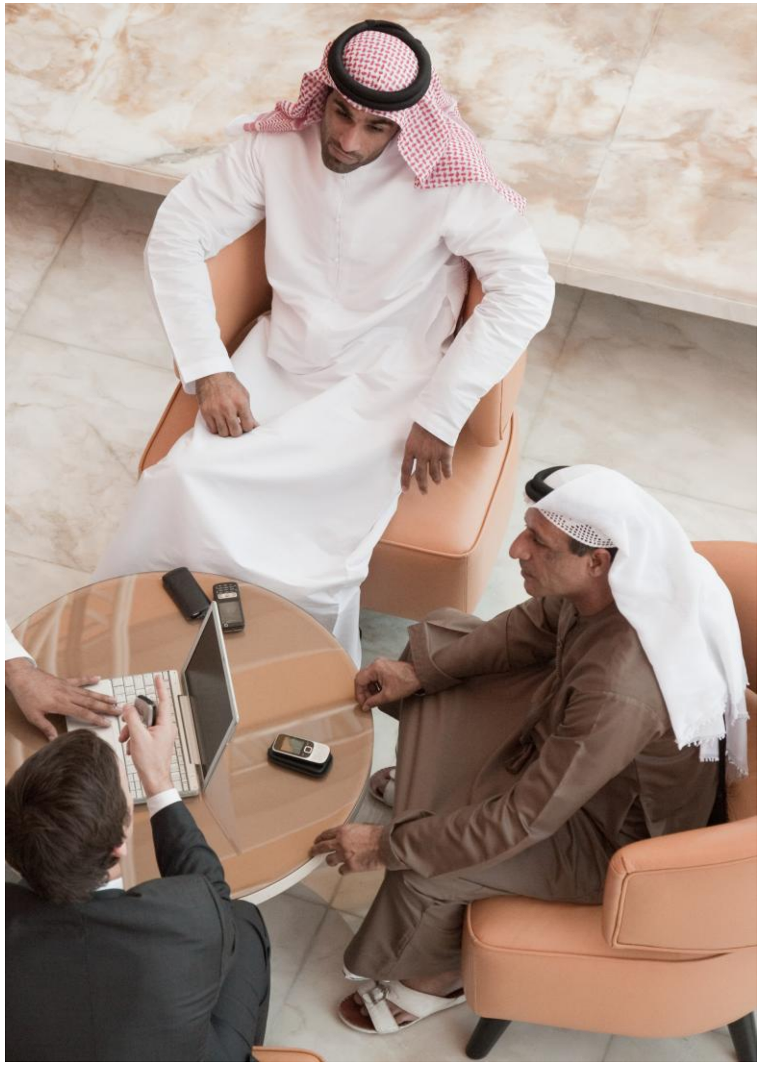
Source: JLL Research, 2025

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.



SEE A BRIGHTER WAY

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