



Dubai, Spring 2017

INDUSTRIAL MARKET BULLETIN

Demand eases

Demand in Dubai's industrial market has eased in recent months, prolonging a trend that first began late last summer. Global economic anxiety and a growth slowdown in regional markets has curtailed activity in the sector that has been amongst the most resilient in the emirate over the last two years. This has resulted in capital value corrections in most submarkets, in JAFZA for instance, certain stock has seen price drops of up to 20% over the course of 2016.

In general, however, values are still perceived to be lean, with some opportunistic purchasers making acquisitions in more secondary submarkets. Average Class A rents on the other hand have demonstrated greater stability, with 8 of the 12 submarkets we track registering no change in 2016.

Rising stock contributing to weaker rents

A surge in newly completed warehouse space over the last year or two has prompted a flight to quality amongst existing occupiers, creating a growing pool of more secondary space, which is slow to let. This is driving a growing gulf in rents between older stock and state of the art, modern warehouse facilities. JAFZA (north), the original home of JAFZA, is for example experiencing a rising amount of such stock as occupiers drift to new facilities in JAFZA (south).

Logistics remain buoyant

Despite the sluggish conditions, we continue to record an interest from international occupiers trying to gain a foothold in the market as they still view Dubai as the primary gateway to the Middle East and Africa. In particular, logistics and distribution centres remain popular amongst retailers and food & beverage occupiers, underpinned by the strength of Dubai's tourism & hospitality market, which saw Dubai emerge as the world's 4th most visited city in 2016 (MasterCard). To an extent, logistics and distribution has compensated for weakness in other industrial sub sectors – such as manufacturing, heavy metals and oil and gas.

Build-to-suit facilities have also remained popular amongst cost conscious developers and occupiers, particularly those unable to locate and secure large amounts of space. Carrefour recently opted for the construction of a c. 800,000 sq ft built-to-suit premises, with Landmark, Mohebi and Aramex also constructing big box distribution hubs.

Key deals

Deal type	Deal size (sq ft)	Location	Occupier type
Purchase	52,000	JAFZA (south)	SE Asian manufacturing company
Lease	195,000	Dubai South	International logistics company
Lease	55,000	JAFZA	International logistics company
Lease	26,000	JAFZA (north)	International logistics company

Source: Cluttons

Dubai industrial market heat map (Q4 2016)



Location	Size sq ft	Class B rents (AED psf)	12 month % change	Class A rents (AED psf)	12 month % change
1 Jebel Ali Free Zone Authority	>20,000	24	-14.3%	36	-5.3%
2 Dubai Investments Park	>15,000	40	0.0%	47	-2.1%
3 Dubai Industrial Park (Dubai Industrial City)	>8,000	32	0.0%	38	0.0%
4 Dubai South	>100,000	38	-5.0%	60	0.0%
5 National Industries Park (Techno Park)	>30,000	35	6.1%	45	0.0%
6 Al Quoz	<5,000	38	-24.0%	60	-7.7%
7 Jebel Ali Industrial	>10,000	25	0.0%	35	0.0%
8 Dubai Science Park (Dubiotech)	<5,000	55	0.0%	65	0.0%
9 Dubai Silicon Oasis	<5,000	65	0.0%	77	2.7%
10 Ras Al Khor	<10,000	40	0.0%	50	0.0%
11 Al Jaddaf / Umm Ramool / Al Qusais	<8,000	50	0.0%	70	0.0%
12 Dubai Airport Free Zone Authority	<5,000	50	0.0%	60	0.0%

Indicative map, not to scale. Colours represent *Class A rents - Prime new, **Class B rents - Secondary

Source: Cluttons

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