

Dubai Industrial Market



Strong enquiry levels and transactions from new entrants to the market

The industrial and logistics sector in Dubai continues to be the most resilient real estate asset class in the city. Market activity has remained buoyant during the first half of 2021, continuing a trend which has picked-up since early 2020. Good quality assets continue to be in short supply, as macro events, such as the recent incident in the Suez Canal, and challenges surrounding the pandemic have led occupiers to expand their warehouse footprint to build-up their inventory.

As per data from Emirates NBD research, Dubai's PMI rose to 53.5 in April from 51.0 in March, the highest reading since November 2019. However, activity levels have stabilised since then, with the PMI for June recorded at 51.0. Though overall activity level was positive and expansionary, the pace of growth has slowed down. Companies have indicated limited supply and increase in raw material costs as well as the negative impact of travel restrictions, has affected recovery. However, the outlook for the non-oil sector, in general, remain positive for the remainder of the year.

Logistics occupiers including the FMCG, 3PL, retail and e-commerce sectors were the most active in expansion requirements and stock update during H1 2021. Along with existing occupiers we saw strong enquiry levels and transactions from new entrants to the market and startups, which included the manufacturing sector as opportunities arose to produce and source locally. Demand was equally robust across free zone

and non-free zone micro-markets of the city with a healthy mix of transactions from SME to large corporate transactions.

In a first for the city, Dubai Commerce City, tied up with a global 3PL player to manage and operate a portion of their warehousing stock. This is likely to help the free zone to streamline its service offerings to tenants and tap into global best practices.

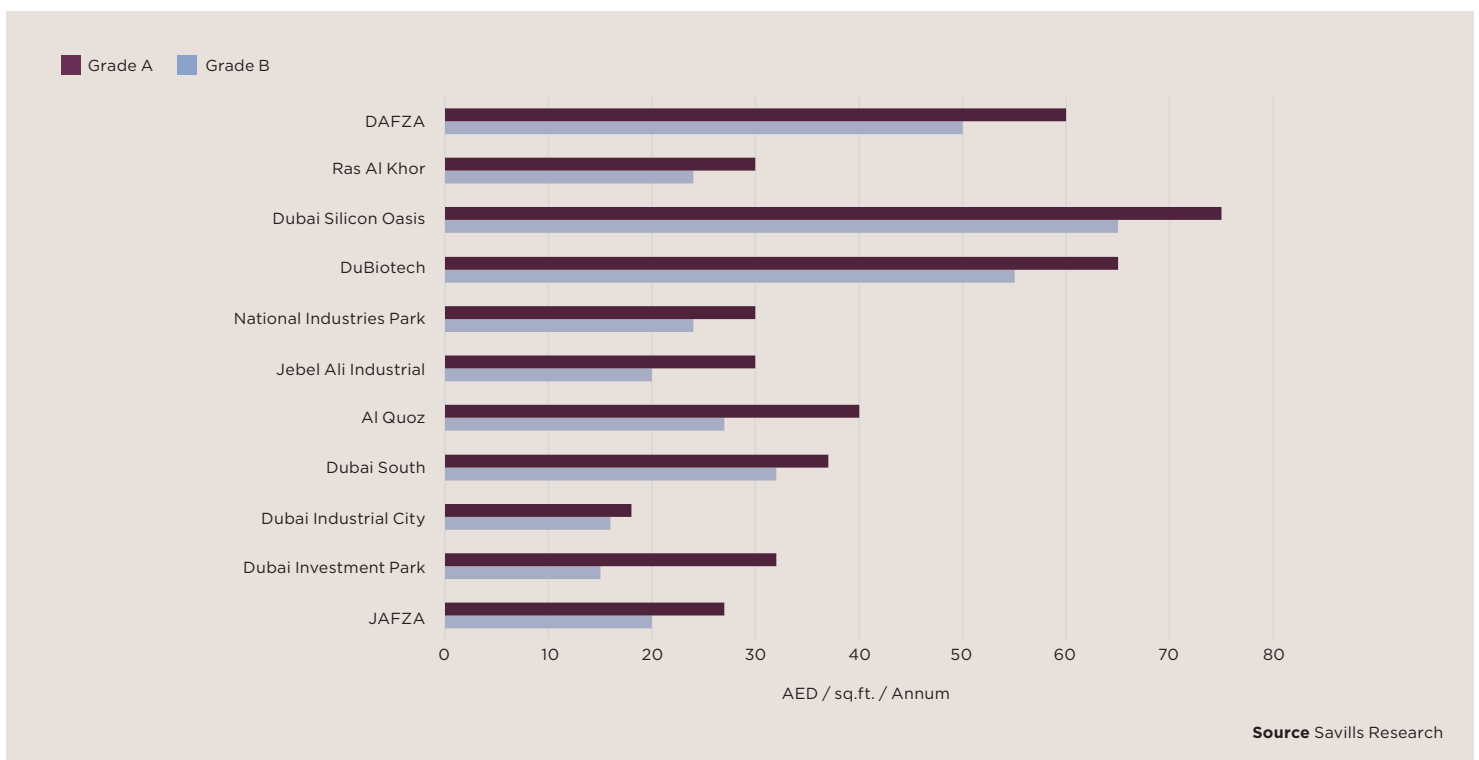
JAFZA has emerged as the preferred destination for healthcare and pharmaceuticals companies. The free zone offers temperature-controlled warehouses and other support infrastructure to support the life sciences sector.

As a preferred asset class in the city, demand from family offices, investment funds and high-net worth individuals to acquire industrial and warehousing assets remained strong. We have also observed enquiries from global funds to invest, largely at an equity levels, and participate in the sector's growth.

Demand for built-to-suit warehousing space was particularly strong from companies as they plan for future expansions and invest in good quality stock. Investments into sustainable real estate, which has picked-up momentum over the last 12 months has also been a key driver for built-to-suit warehouses. Companies are ensuring their real estate is sustainable and compliant with local and global regulatory requirements to maintain their competitive edge.

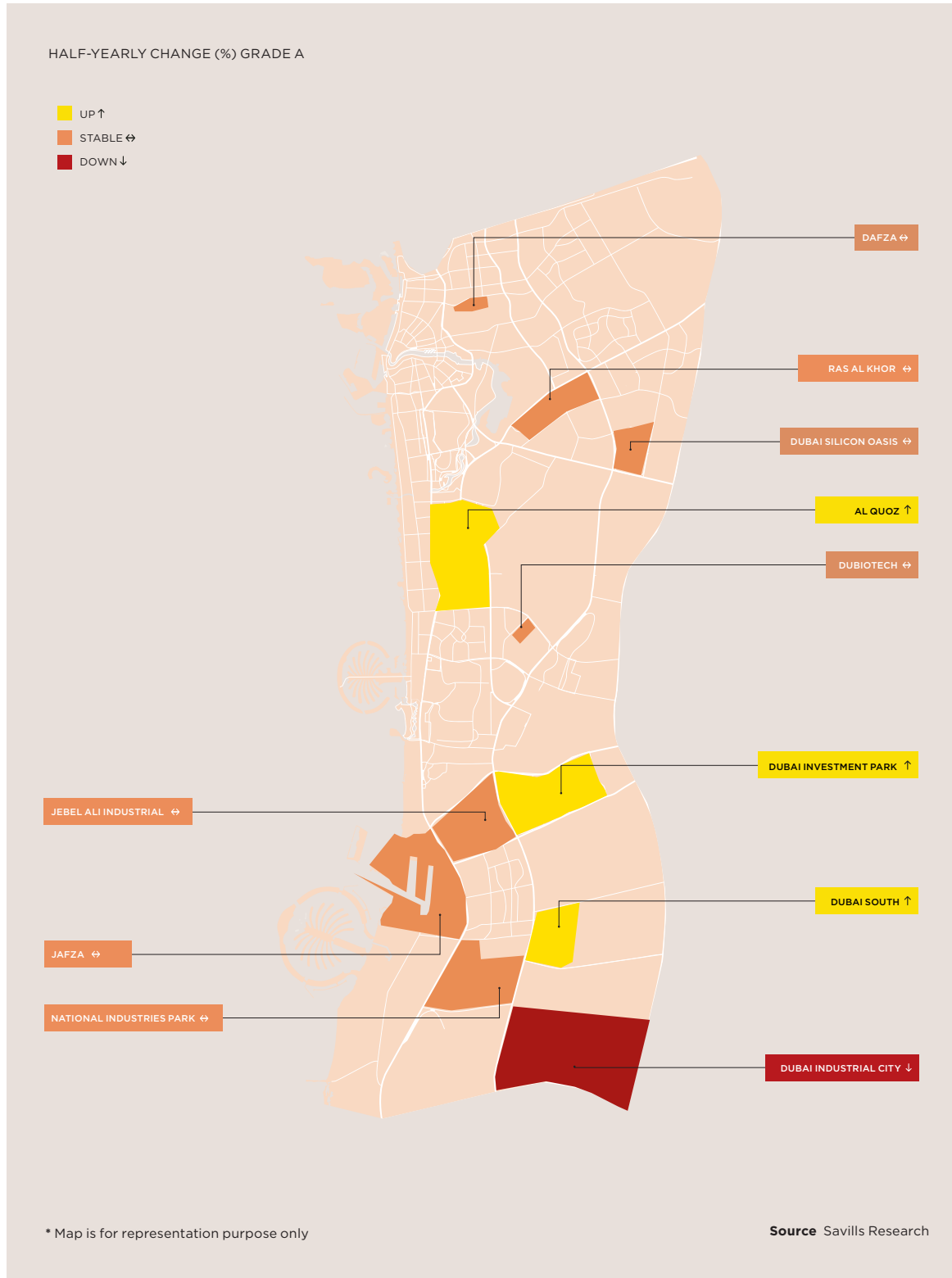


Dubai Industrial Market Rents H1 2021



The sustained increase in demand levels and strong pipeline of enquiries has led to a gradual improvement in rental values across most micro-markets. On a half yearly comparison, rental values for Grade A properties increased by an average 18% to 20% across Al Quoz and DIP. Rental values for Grade A stock across other micro-markets have remained largely stable compared to H2 2020. On the other hand, rental values across Grade B stock in JAFZA and Al Quoz has witnessed a marginal increase during H1 2021 compared to H2 2020 while they have remained largely stable across other micro-markets.

The recent restructuring of the Dubai Chamber (splitting the Chamber into Dubai Chamber of Commerce, Dubai Chamber of International Trade and Dubai Chamber of Digital Economy) and the city's vision to become the regional hub for small to medium sized industries, involved in manufacturing and exporting mechanical equipment, chemicals, food and beverages, machinery and metals will continue to drive demand for warehousing space across the city.



Savills team

Please contact us for further information

Swapnil Pillai
Associate Director
Research
+971 4 365 7724
swapnil.pillai@savills.me

Luke Tipp
Commercial Agent
+971 4 365 7728
luke.tipp@savills.me

Paula Walshe
Director - International
Corporate Services
+971 4 365 7731
paula.walshe@savills.me

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