

Dubai realty sector in favour of tenants

Quality space on offer as market cools

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Dubai: Tenants stand to benefit from an increasingly competitive Dubai real estate market, a report released yesterday by industry researcher Jones Lang LaSalle said.

Office, residential and retail sectors will see increased vacancies as prices stabilise and more units come into the market.

Demand is increasing as both existing and new tenants seek to consolidate and take advantage of better quality space becoming available on more competitive terms.

But this demand is unlikely to match the new supply entering the market in 2010.

In its report Dubai Real Estate Market Overview, January 2010, the researcher said that average prices and rentals in the residential sector are expected to show more stability in 2010 as the rate of decline has slowed in the past few months.

The office market specifically is becoming increasingly favourable for tenants as it is witnessing a significant demand-supply mismatch along with falling rentals and increased vacancies.

"While conditions may stabilise in some locations, the overall market is likely to see a continued decline in average prices and rentals in 2010.

"Stabilisation of transactional volumes is another positive indicator of investor confidence but the lack of housing finance remains a major challenge in Dubai," the report said.

Over-supply

Blair Hagkull, managing director of Jones Lang LaSalle Mena, said: "With an additional 24,000 units expected to be completed in 2010 and 25,000 units in 2011, there may be an emerging opportunity for both investors and financiers in the Dubai residential market.

"It has already seen a significant level of pricing adjustment in 2009."

Average vacancies across the emirate are therefore likely to increase from their current level of around 33 per cent during 2010.

"The tenant is becoming the ultimate winner as the office market is going through a significant adjustment with more vacancies and cheaper rents.

"This is an opportune time for tenants as average annual Grade A rentals have fallen to around Dh220 per square foot," Hagkull said.

Rental adjustments were comparatively less in the retail market than in the office or residential sectors.

Average rentals have declined by around 29 per cent from the fourth quarter in 2008 to the fourth quarter in 2009 on the back of a 15-20 per cent decline in retail sales in 2009.

"We expect to see an increase in shorter leases, break clauses and rent-free periods," Hagkull said.