

Abu Dhabi Industrial



Abu Dhabi's industrial sector continued to thrive due to strategic initiatives, investments, and a commitment to technological advancement. The emirate aims to bolster its non-oil economy and establish itself as a significant player in global manufacturing. Government programmes like the Industrial Sector Strategy and the 'Make it in Emirates' initiative has facilitated business expansion by providing financing, incentives, and support. As a result, the non-oil economy exhibited robust growth of 9.1%, and Abu Dhabi's real GDP increased by 3.1% in 2023 compared to 2022, according to the latest report from the Statistics Centre of Abu Dhabi (SCAD).

Small and Medium-sized Enterprises (SMEs) play a pivotal role in Abu Dhabi's industrial landscape. They constitute approximately 98% of businesses in the emirate, employing over 46% of the workforce and contributing more than 42.8% to Abu Dhabi's non-oil GDP. The most recent business activity report from the Abu Dhabi Department of Economic Development (ADDED) pointed out that there was a 51.5% increase in the number of industrial licences issued in 2023 year-on-year and a 3.5 per cent rise in new economic licences issued in 2023. The total capital of newly licensed companies exceeded Dh210.7 billion (\$57.3 billion), amid strong non-oil sector growth. On a sector level, Finance and Insurance, Construction, wholesale and retail, and Transportation and storage have made significant strides in expanding the non-oil GDP in 2023. The hotels and tourism sector is also growing rapidly in the emirate, with a new airport terminal opened in November 2023 that will increase its capacity, spurring further growth in international visitors and trade flows.

The non-oil sector's expansion is fuelling the need for industrial and logistics/warehousing space in Abu Dhabi. Despite the challenges posed by the pandemic, this sector has consistently grown. The demand for top-tier facilities in Abu Dhabi is propelled by robust intraregional trade, excellent infrastructure, and a burgeoning digital economy. The interest from Small and Medium-sized Enterprises (SMEs) in Light Industrial Units (LIUs) due to their cost-effectiveness and scalability continued to grow. These LIUs align with the growth trajectory of tenants and customers. Abu Dhabi's appeal lies in its flexible and attractive land rents, along with incentives for amenities like electricity, water, and gas. Additionally, its proximity to Dubai and the surge in regional demand contribute to its allure. As the government actively positions the country as a pivotal hub for exports and re-exports, warehousing occupancy levels have risen significantly across the city.

In Abu Dhabi, the Manufacturing sector, Oil and Gas sector, and Third-Party Logistics (3PL) are the primary drivers of demand. The manufacturing sector contributed over 12% to the non-oil GDP and 9% to the overall GDP in 2023. Additionally, the added value from manufacturing activities reached AED 101 billion, making it the largest non-oil contributor to the GDP compared to the previous year. Companies in the oil and gas sector remain key players across the Emirate, as Abu Dhabi's economy heavily relies on this sector, contributing 46.6% to the GDP. Meanwhile, the e-commerce sector is rapidly expanding due to growing domestic consumption, with quick delivery platforms driving the uptake of smaller-sized units closer to the city. E-commerce players are adopting a hub-and-spoke approach to enhance delivery speed and customer satisfaction.

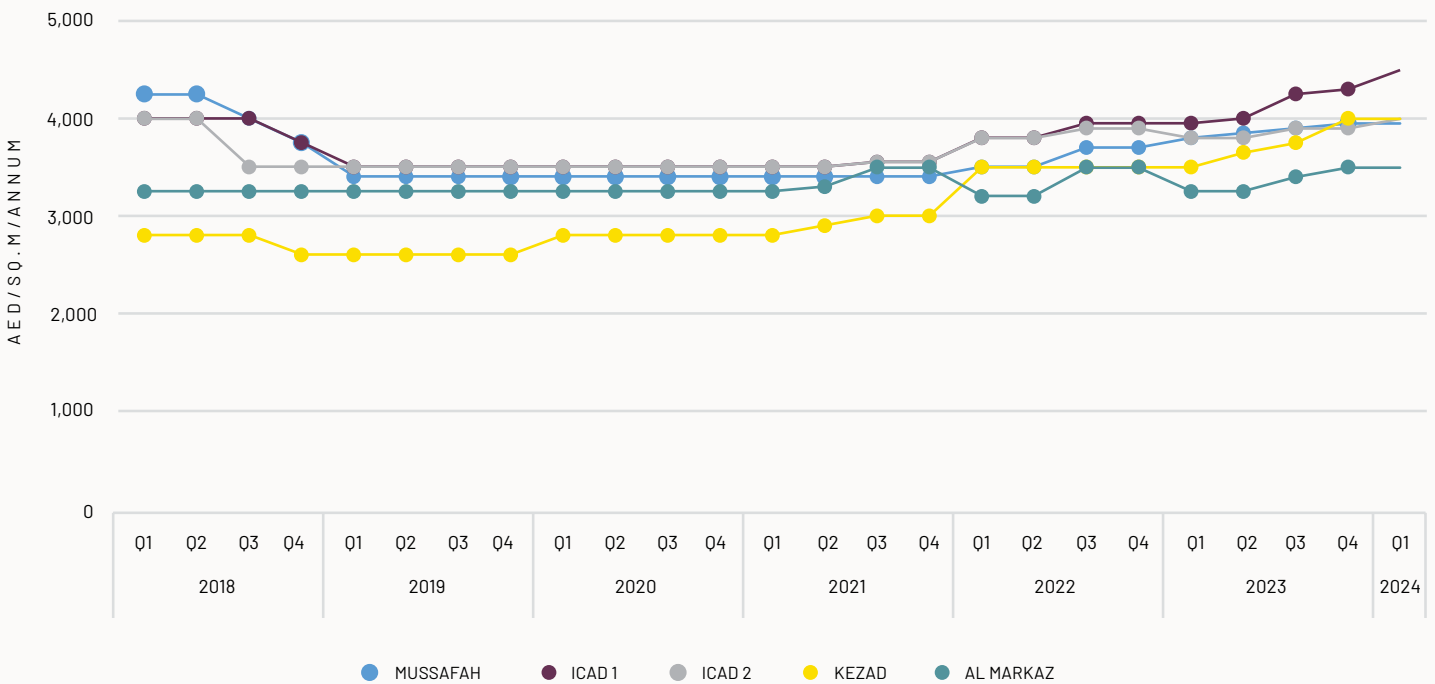
In Q1 2024, the leasing activity in Abu Dhabi was primarily concentrated in ICAD, Mussafah, and KEZAD. KEZAD strategically capitalises on the locations of its parks, particularly Al Ma'moura, situated between Abu Dhabi and Dubai, as well as its proximity to Khalifa Port and ICAD. This approach has proven exceptionally successful in attracting occupiers. KEZAD's appeal is further enhanced by special industrial initiatives offered by the Industrial Development Bureau, including incentive programmes such as favourable energy tariffs and land rents. Notably, the metal and construction sector accounts for nearly 42% of the leased area in KEZAD. Additionally, ICAD 1, 2, and 3 continue to attract significant occupier interest and operate at high occupancy levels.

Driven by robust demand for warehousing and pre-built facilities, Abu Dhabi is witnessing an upswing in logistics and industrial space supply. Construction is underway for nearly a million square feet of space across Musaffah, ICAD, and Al Markaz, slated for completion in 2024. KEZAD Group is investing AED 621 million to develop over 250,000 square metres of warehousing capacity, set to be operational by the end of 2025. Additionally, Aldar is expanding its existing logistics asset, ADBH, by 33,000 square metres, with full occupancy by Etihad, Mubadala, and Twofour54.

During Q1 2024, the demand for quality assets and increasing leasing activity and inquiries propelled rental growth in Abu Dhabi. On average, rents across the city rose by 2% quarter-on-quarter. Notably, high-specification assets in ICAD 1 and KEZAD experienced a substantial 14% year-on-year rental growth. However, it is worth noting that certain buildings with temperature control settings command a premium over others.



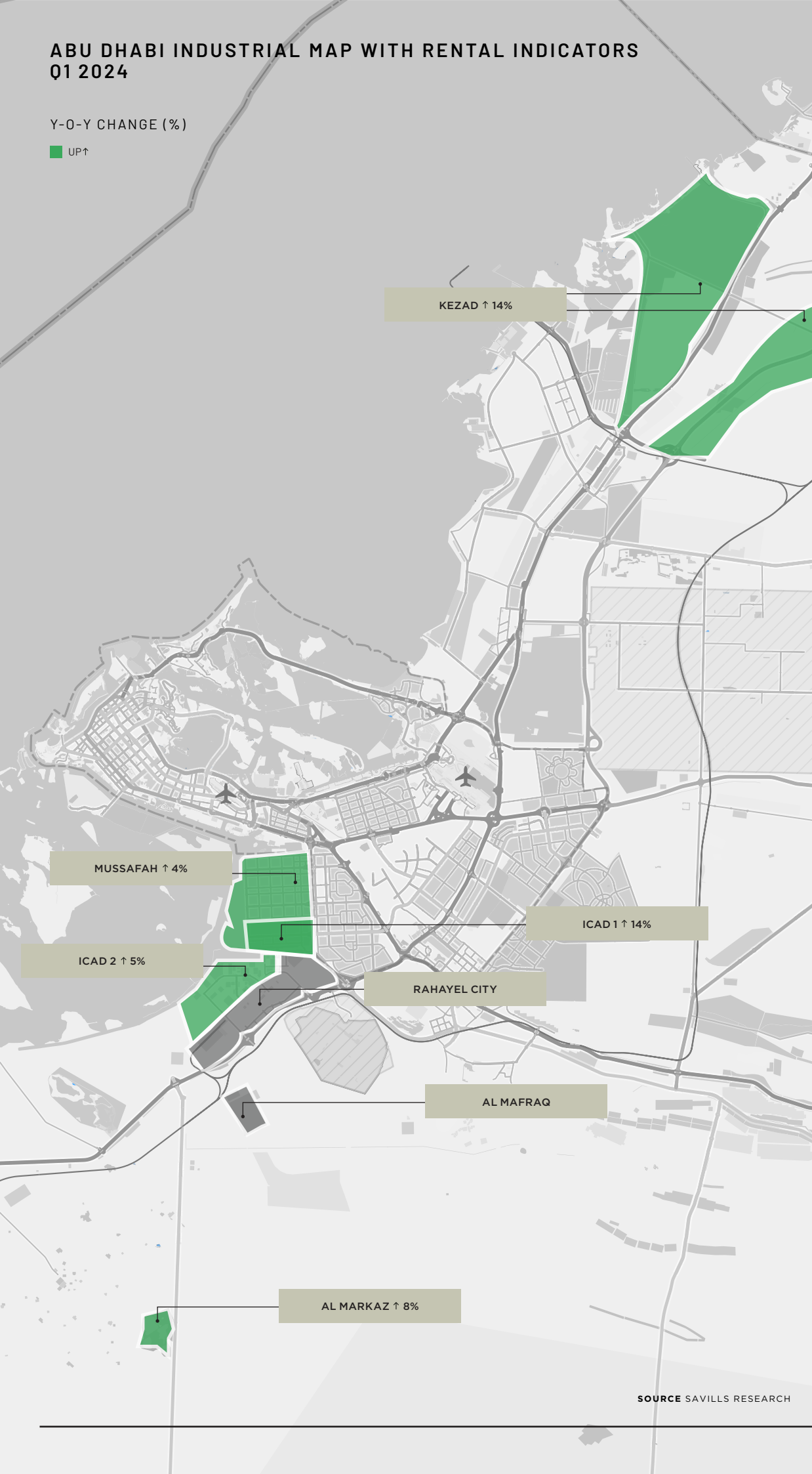
ABU DHABI INDUSTRIAL RENTS Q1 2024



ABU DHABI INDUSTRIAL MAP WITH RENTAL INDICATORS Q1 2024

Y-O-Y CHANGE (%)

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