Q1 2026 Edition

UAE Real Estate Outlook

Office market enters a new phase: from rental escalation to occupier strategy

Part I:
Setting the Stage

The macroeconomic backdrop, regional shifts, and Dubai's position on the global office map

Executive Summary

Dubai's office market closed Q1 2026 with rents stable at AED 238 / sqft — the first quarter without an uplift since H1 2021. After two years of double-digit growth, this is not a turning point. It is a measured pause.

The quarter divides cleanly into two halves. January and February extended the strength of 2025 — strong leasing, transaction value records, robust enquiry pipeline. From late February, decision-making slowed against a backdrop of regional tensions, Ramadan and the Eid holiday.

New leasing volume in the main business districts fell ~45% from February to March, but renewals held flat, average rates barely moved, and ready-office sale prices stayed within statistical noise of their pre-pause levels.

The headline story is what did not happen. Tenants did not exit. Rents did not correct. Pipeline did not collapse. What we saw was a market exercising the discipline of maturity — selective, deliberate, regulated.

WHAT WE EXPECT THROUGH H2 2026

A market shaped less by headline rental growth, more by strategic repositioning. Tenants who delayed decisions in March-April will return as visibility improves. Pricing pressure will ease in submarkets receiving new stock — DIFC will see the largest share. Submarkets without new deliveries will continue to see landlord-favourable conditions.

WHAT MATTERS MOST

- → Rents stable at AED 238/sqft city-wide, +14% YoY — first flat quarter in five years.
- → 97% of all office deals were ≤3,000 sqft — small-format demand from new market entrants.
- → Office sales transactions +74.5% YoY (1,565 deals); average price AED 3,047/sqft (+84.4%) — driven by off-plan bookings registered before late February.
- → Ready-office sale volume fell ~70% Feb→Mar but weighted average prices stayed within 3% of February levels.
- → Lease renewals held week-to-week even as new contracts dropped — RERA rent protection anchored existing tenants.
- → 2 mn sqft of new supply expected in 2026, 1.6 mn in 2027 — the long-awaited supply relief begins to arrive.
- → 2,709 new companies registered with Dubai Chamber in March alone — the demand engine never stopped.

Macroeconomics

4.02 Mn	↓ 0.3%	2.0%
Dubai Population	UAE Real GDP forecast 2026	UAE Inflation forecast 2026

Q1 2026 in macro context

→ GDP forecast revised down to 0.3% for 2026 (from 4.8% pre-conflict). The downgrade reflects regional tensions and logistical disruption to oil routes through the Strait of Hormuz, where ~30% of global seaborne hydrocarbons normally transit. The UAE has been ranked the second-most impacted GCC economy after Qatar by Oxford Economics.

→ Mitigating factors are substantial. S&P reaffirmed the UAE's AA/A-1+ sovereign rating, citing fiscal buffers and the deployment of emergency land corridors to bypass maritime disruptions. Inflation remains contained at ~2%. Liquidity is exceptionally strong — total banking sector deposits reached AED 3.3 trln by end-2025, up 16.2% YoY.

→ Business formation has not paused. Dubai Chamber of Commerce registered 71,830 new companies in 2025, with 19,000 joining in Q4 alone. In March 2026 — the most disrupted month of the quarter — 2,709 new companies still joined.

→ GCC bond markets recovered fast. USD-denominated GCC bonds regained more than half of their late-February losses by mid-quarter, and credit spreads tightened as ceasefire prospects emerged.

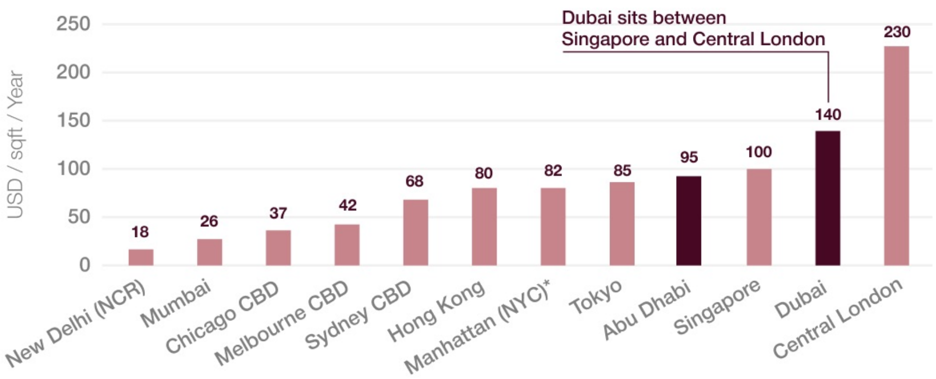
iSpace view

The structural drivers of UAE growth — diversified economy, foreign investment policy, regulatory clarity, free-zone framework, fiscal capacity — are unchanged. The Q1 GDP downgrade reflects a near-term shock, not a structural reset. For real estate, this distinction matters: short-term volatility moves transaction timing, not long-term asset values.

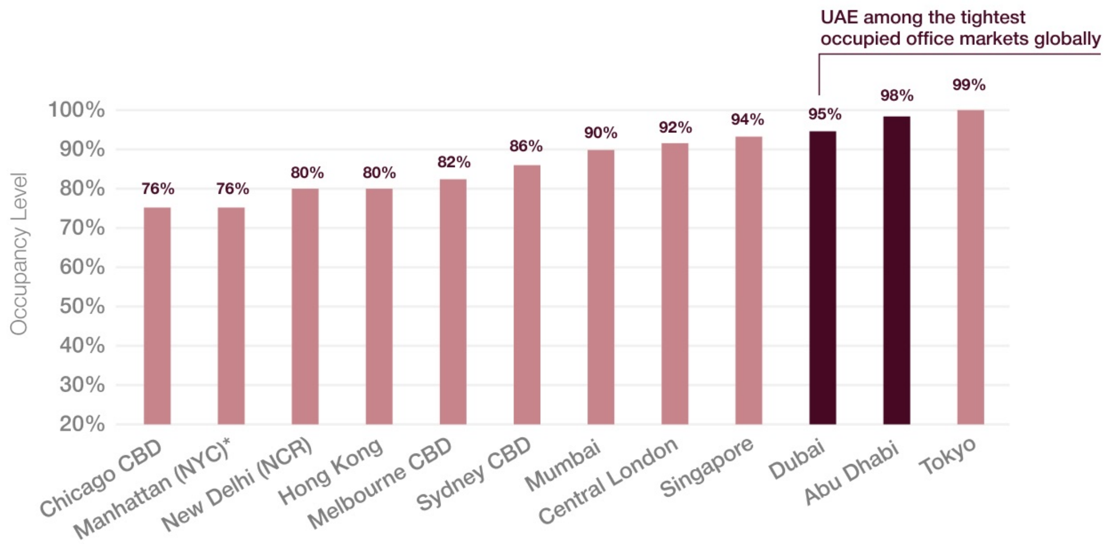
Dubai on the Global Office Map

Where the UAE sits in pricing, occupancy, and structural fundamentals

Global Prime Office Rents — Q1 2026



Global Prime Occupancy Levels — Q1 2026



Why Dubai keeps its premium

Regulatory & tax

Global talent

Connectivity & logistics

Strategic time zone

Social infrastructure

Mature financial system

Strong safety

Part II:
The Office Market in Q1 2026

Pricing held, renewals dominated, deals concentrated in small formats — and supply relief begins to land

Dubai Office Market

Q1 2026 at a glance

AED 238 Average rent — PSF (stable q-o-q)	**↑ +14%** YoY rent growth	**97%** Of all deals were ≤ 3,000 sqft
~95% City-wide Grade A occupancy	**2 Mn sqft** New supply expected in 2026	**↑ +16%** Prime YoY rent growth

What's happening

Dubai's office market closed Q1 2026 with rents stable at approximately AED 238/sqft, the first quarter without an uplift since H1 2021. After several years of escalation, this stabilisation marks a structural shift in market behaviour, not the start of a correction. **Rates remain 14% higher than Q1 2025,** and prime micro-markets — DIFC, One Central, Business Bay — continued to command pricing power.

The narrative has shifted from rent growth to occupier strategy. With most existing tenants protected by RERA renewal frameworks and limited churn in well-managed assets, decision-making in Q1 centred on tenure security and long-term cost certainty rather than relocation.

Three forces shaping the quarter

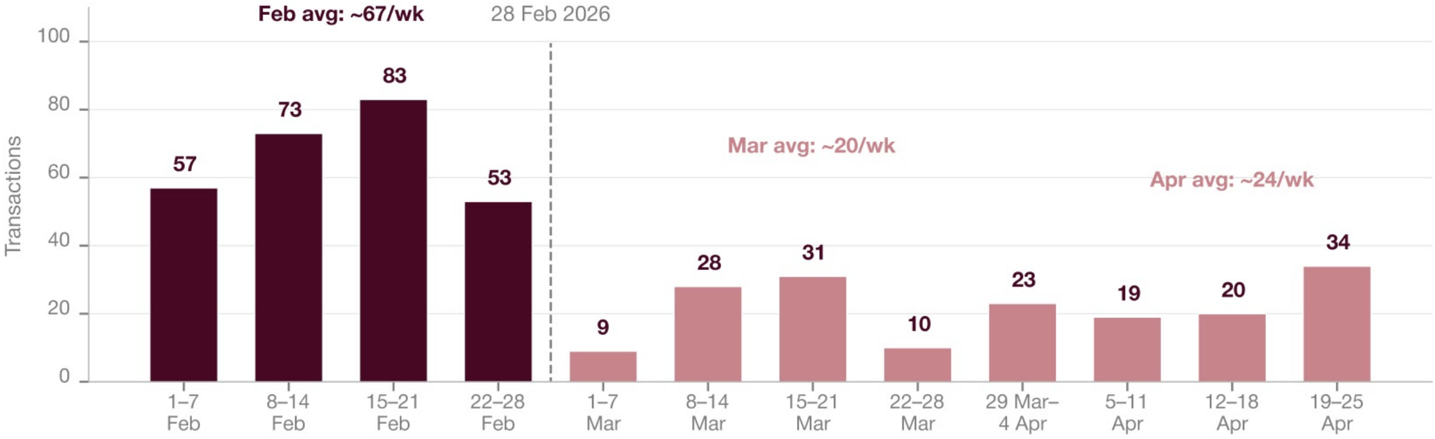
1. Demand barely paused, but became more selective. Small-format leasing dominated — 97% of all transactions were for spaces ≤3,000 sqft. New market entrants establishing a Dubai footprint, plus existing occupiers securing satellite offices while retaining core premises under rental protection.

2. The market bifurcated by asset quality. Strata-titled buildings with available fitted-out space increasingly commanded rents above shell-and-core Grade A. Tenants are paying for immediacy and certainty, not just specification.

3. Supply scarcity is finally easing — selectively. Approximately 2 mn sqft of GLA is scheduled for delivery in 2026 and 1.6 mn in 2027, concentrated in DIFC, Sheikh Zayed Road, Expo City, and Business Bay. This will create pockets of opportunity, not city-wide relief.

Office Sales: A Pause, Not a Crash

Ready-office sales volume — weekly, all Dubai districts



Ready-office sale volume across Dubai fell from approximately 67 transactions per week in February to around 20 in March — a 70% reduction. Yet the weighted average price barely moved, holding within 3% of pre-pause levels through April. The volume drop was a transactional decision, not a price discovery event.

For context, residential ready-market volumes fell roughly 43% in the same period — about half the decline seen in offices. The likely explanation: buyer-seller pairs in the office segment have wider negotiation flexibility and more often agreed mutually to defer closings until visibility improved.

Off-plan and primary sales

Quarterly headline numbers for office sales are extraordinary on the surface — 1,565 transactions in Q1 2026 (+74.5% YoY), AED 8.21 bn total value (more than tripled), average price AED 3,047/sqft (+84.4% YoY). Off-plan dominated, with 951 transactions (61% of volume, 78% of value).

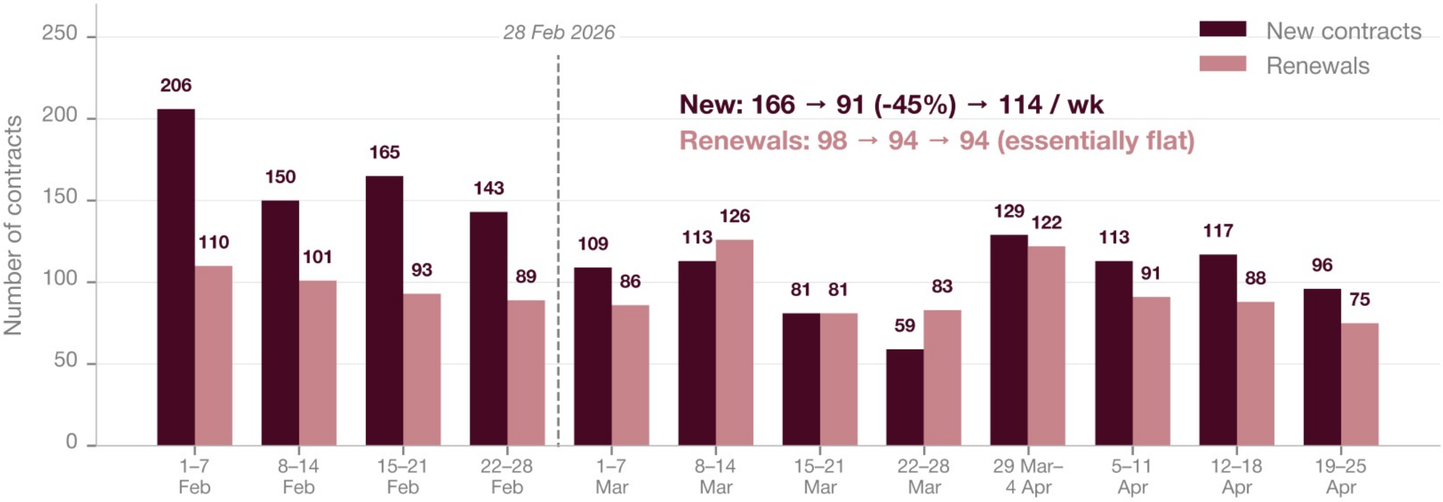
These figures should be read with care. Most off-plan deals registered after late February reflect commitments made before the disruption — particularly large premium-project bookings registered in batches. Real post-conflict sales activity will only become visible in May and June DLD data.

Where deals concentrated:

- → **Al Sufouh** (380 deals @ AED 4,183/sqft)
- → **Business Bay** (372 deals @ AED 3,378/sqft)
- → **JLT** (223 deals @ AED 2,066/sqft)
- → **Maritime City** (78 deals @ AED 3,696/sqft)

Office Leasing: Tenants Stayed Put

Office leasing — new contracts vs renewals (9 main business districts)



The story in two indicators

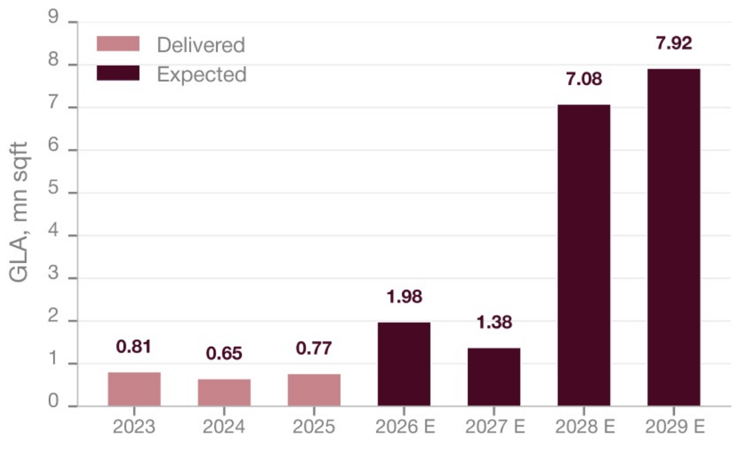
New contracts dropped, renewals held. New leases in the nine main business districts ran at an average of 166 per week in February, fell 45% to about 91 per week in March, and partially recovered to 114 per week in April. Renewals were 98, 94, and 94 respectively — essentially unchanged.

This is the clearest signal that incumbent demand is intact. Tenants did not vacate. Tenants protected by RERA renewal regulations had little incentive to test the open market mid-disruption — and many would have faced higher headline rates if they did.

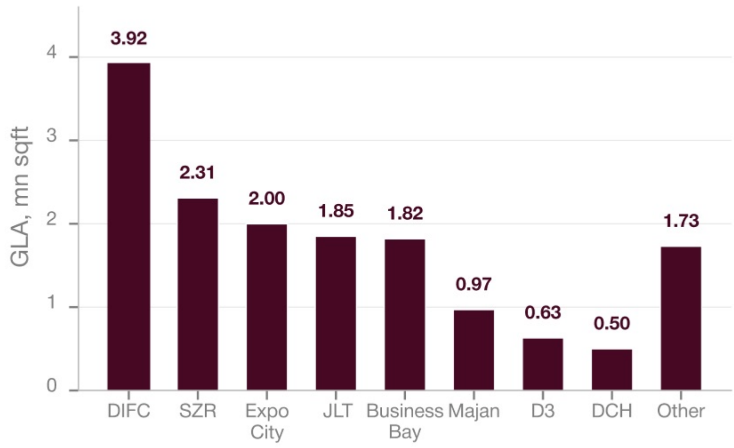
Supply: Relief Begins to Arrive

After three years of effectively flat new deliveries (averaging ~0.74 mn sqft annually 2023–2025), the pipeline accelerates: ~2 mn sqft in 2026, ~1.6 mn in 2027, and a substantial step-up in 2028 (7.08 mn) and 2029 (7.92 mn).

Supply 2023–2029



Supply by submarket, 2026–2029



What this means in practice

→ 2026–2027 deliveries will not solve scarcity. Combined volumes are roughly 7% of existing total Dubai office stock (~110 mn sqft). Most space is concentrated in a few submarkets. Two-thirds of the upcoming pipeline is single-owned, which historically outperforms strata stock on occupancy and rental stability.

→ DIFC remains the centre of gravity. Around 3.9 mn sqft of upcoming supply is concentrated in DIFC — by far the largest share. Pre-leasing has already absorbed a meaningful portion of this. Tenants seeking large, contiguous, single-owned floorplates will find their best optionality here.

→ Free-zone supply dominates. Of upcoming completions through 2030, around 50% is freezone-licensed, 37% onshore, and 13% dual-licensing — reinforcing free zones as the primary destination for international corporate tenants.

→ Strata-led developments add volume but not solutions. New strata projects in JVC, Motor City, and Majan add to citywide GLA but rarely meet the requirements of regional or large corporate tenants.

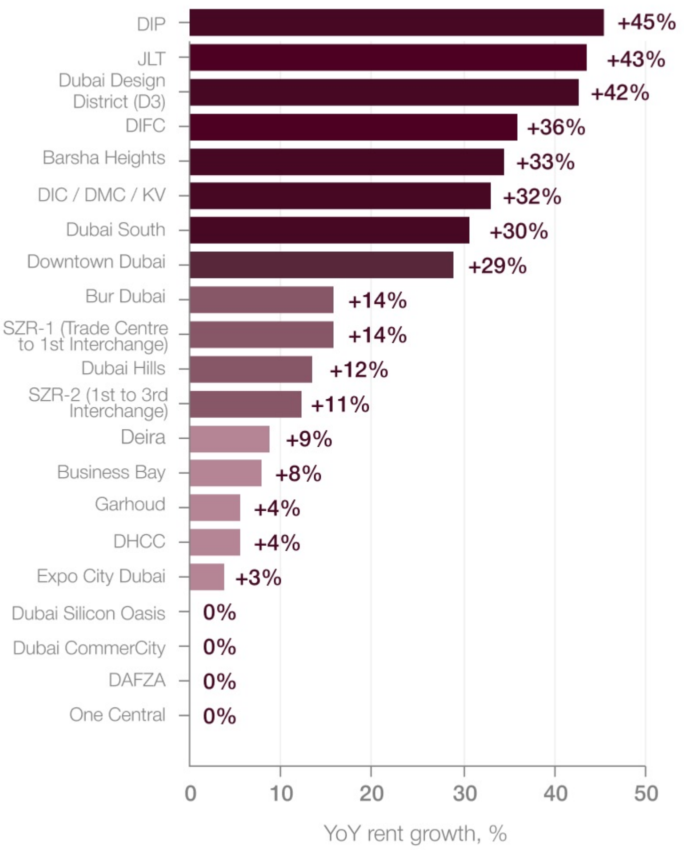
Part III: iSpace Perspective

Our own market data on sectoral demand, submarket-level rent dynamics, and a proven track record

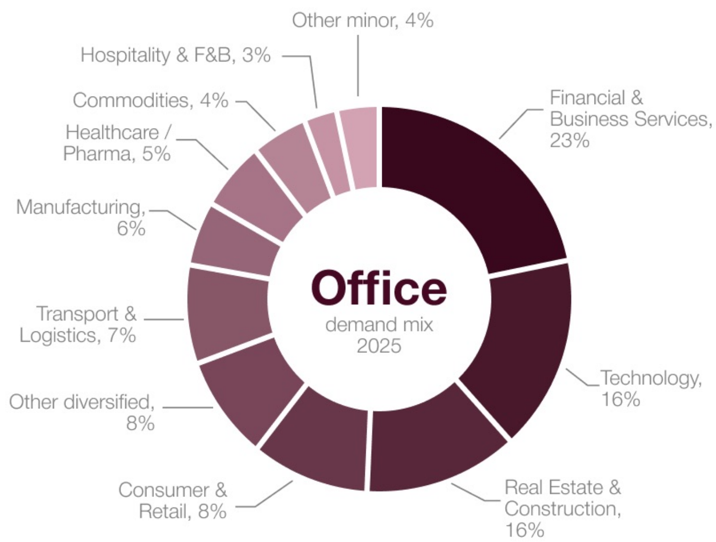
Where Demand Comes From, Where Rents Move

Sector composition of office demand and submarket-level rent dynamics

Submarket YoY rent growth



Demand mix



What this tells us

Demand depth, not concentration. Financial & business services lead at 23%, but five sectors each represent 7% or more. No single sector dominates — Dubai's office demand is structurally diversified, which has been a key factor in maintaining rental resilience through the Q1 disruption.

Tech and Real Estate at 16% each. Combined with Financial Services, these three sectors represent the majority of premium office demand. All three remained active through Q1 — none of them paused decision-making across the board.

Submarket dispersion is wider than headline +14%. DIP (+45%), JLT (+43%) and D3 (+42%) led the YoY rent growth race in 2025, with well-connected established districts in the +30–36% range. The lower-growth markets (Garhoud, DHCC, Expo City Dubai) had more available stock or were in earlier development phase. Average +14% understates the tightness in the most-pressed submarkets.

iSpace View

Three observations from the ground in Q1 2026

1. The premium for ready is widening

The gap between what tenants will pay for a fitted-out, immediately available office and what they will pay for shell-and-core Grade A has widened materially. In several locations strata-titled fitted assets are now achieving rates above traditional Grade A pricing. Time-to-occupy has become as valuable as specification.

2. Hybrid portfolios are no longer optional for growing businesses

Companies expanding through Dubai's headcount cycle increasingly cannot match a single asset to their growth profile. The combinations we are structuring — anchor lease in a Grade A core, satellite micro-offices in flex space, pre-commitment on future delivery — reflect a market where neither pure traditional leasing nor pure flex provides sufficient flexibility on its own.

3. Flex office economics have re-priced upward

Achievable flex rates in Dubai now sit at well-defined ranges by tier. These rates incorporate fit-out, services, and elevated convenience pricing, and explain why flex operators continue to enter the market despite tight site availability.

Achievable flex office rates in Dubai

Format	Tier	Achievable rate
Micro-office (per desk / month)	Prime	**AED 3,000 – 5,000**
	Class A	**AED 2,300 – 3,000**
	Class B	**AED 1,500 – 2,300**
Serviced office >1,000 sqft (AED/sqft/year)	Prime	**AED 900 – 1,400**
	Class A	**AED 500 – 800**
	Class B	**AED 200 – 350**

What we recommend to clients in Q2

- → Lock in renewals early where RERA protection is meaningful and the market trajectory is upward.
- → Consider pre-commitment on 2027–2028 deliveries — the pricing window for forward leases is narrower than headline supply numbers suggest.
- → Scrutinise the quality of new supply, not just the address — single-owned anchor assets will outperform fragmented strata buildings.
- → Use flex-format deals for growth uncertainty — short tenure no longer means second-class space.

iSpace Track Record

The Offices — three phases of integrated flex-office delivery

Between March and December 2023, iSpace delivered three phases of integrated flex-office space at One Central — combining shell-and-core leasing with full fit-out, operating model, and end-tenant management. All three phases reached 100% occupancy.

Phase	Phase 1 The Offices 2	Phase 2 The Offices 5	Phase 3 The Offices 2
Opened	March 2023	September 2023	December 2023
NRA, sqft	10,261	19,016	11,162
Working desks	149	192	120
Current occupancy	100%	100%	100%
Average lease	21 months	7 years	24 months
Investment	US $2.2 m	US $3.5 m	US $0.5 m
ROI period	5 years	5 years	2 years

40,439
sqft total NRA delivered

461
working desks operating

100%
occupancy across all phases

> Each phase reached full occupancy at or before commissioning. ROI horizons under five years across the portfolio — and two years on the most recent phase — confirm the economics of integrated leasing-plus-operations in tight-supply submarkets.
>
> iSpace's track record validates the hybrid-portfolio thesis

Part IV: Other Sectors

Residential moderation after a record run, retail occupancy at peak, and warehouse rents accelerating across Dubai

Dubai Residential Sector

Q1 2026 update — moderation after a record run

Q1 enters a phase of moderation

After several years of rapid growth, Dubai residential capital values posted their first quarterly decline since 2020 (-3.8% q-o-q on the ValuStrat VPI, but still +8.9% y-o-y). The reset is consistent with normalisation, not correction.

Transaction volumes remain elevated

DLD recorded 60,303 transactions in Q1 (+6% y-o-y) for AED 252 bn (+31% y-o-y) — the highest Q1 value ever recorded. Growth came primarily before March; activity declined notably in March and partially recovered in April.

Off-plan continued to dominate

Off-plan accounted for AED 103.4 bn (75.3% of residential value) and 32,608 transactions (72.1%). March alone delivered ~10,300 off-plan deals worth AED 31.2 bn — the off-plan engine kept running through the disruption.

Rental growth eased

Average rents rose 4.1% in Q1 (vs 5.6% in 9M 2025). Occupier behaviour shifted toward renewals as new-contract activity cooled. This is consistent with the affordability normalisation that began in late 2025.

Villas continued to lead price growth

Villa capital values rose 12.1% y-o-y despite a -3.1% quarterly correction. Prime residential held an 11% y-o-y trajectory — the most resilient subsegment.

Mortgage activity strengthened

11,829 mortgage transactions in Q1 2026, supported by easing borrowing costs and continued end-user demand. Cash buyers still dominate (~86% of total volume per Knight Frank), but lever-financed end-users are a growing share.

Retail & Industrial Sectors

Retail

Sales activity surged

485 retail units sold (+51.6% y-o-y), AED 2.08 bn value (+171%), average price AED 3,286/sqft (+53.3%). Off-plan dominated (254 of 485 deals).

Concentrated in growing communities

JVC, Motor City, Majan and Arjan led the deal count. Population density growth in mid-market residential clusters drives retail unit demand.

Rental occupancy remains exceptional

Mall occupancy held at ~98% in Dubai and 95% in Abu Dhabi. Rents rose 8.9% q-o-q. Q1 also saw Primark's UAE debut and continued international brand expansion.

Limited new supply

The 2025–2027 pipeline (~400,000 sqm in Dubai, ~300,000 sqm in Abu Dhabi) eases longer-term pressure, but most current-year deliveries are phased and limited.

Industrial

Warehouse rents accelerating

Warehouse rental rates rose 32.6% y-o-y, the largest jump across any commercial segment. Dubai delivered double-digit rental growth on standing stock; Abu Dhabi saw steady increases across KEZAD, ICAD, Mussaffah.

Demand drivers strengthening

E-commerce and last-mile logistics, EV servicing, manufacturing expansion, and supply chain resilience strategies sustaining occupier momentum. Tesla's planned Yas Island Experience Centre highlights EV-related logistics build-out.

Institutional capital deepening

Blackstone-Lunate's GLIDE platform (~USD 5 bn in Grade-A logistics across the GCC) and SC Capital Partners-CapitaLand's RAKEZ industrial park signal a meaningful shift toward institutional ownership.

New deliveries staged through 2027+

Alder Logistics Centers — NIP and Terralogix's 50,000+ sqm Phase 1 in Warsan are set for handover in H2 2026, providing some availability relief in the most-pressured submarkets.

Part V: Looking Ahead

What we will be watching through H2 2026 — and where the next opportunity window opens

Outlook H2 2026

Three things we will be watching

May–June DLD data	April closed with new lease volumes still below February peaks but recovering. May will be the first full month for which decision-making takes place against a backdrop of ceasefire developments. If April's recovery extends rather than reverses, this confirms the Q1 slowdown was tactical — not structural. Office sales data for May will be especially telling, since most April activity reflected pre-conflict commitments.
Submarket-by-submarket supply absorption	With ~2 mn sqft scheduled for 2026, market behaviour will diverge sharply by district. DIFC absorption rates will set the tone for the broader prime market. Submarkets without 2026 deliveries — most of New Dubai, Old Dubai, and large parts of central Dubai — will continue under landlord-favourable conditions through 2027.
Hospitality recovery and read-across to retail and office	Tourism arrivals fell off sharply from March; January 2026 had been on track for a record year. The pace of recovery in hotel occupancy and ADR through summer will be a leading indicator for retail trading and office demand from sectors tied to international travel and corporate activity.

Our base case

We expect 2026 to be defined less by headline rental growth and more by strategic repositioning. Prime locations will continue to attract premium rents from financial services, professional services, and new entrant corporates. Mid-market and emerging-district stock will see selective discounting as new strata supply lands. Owners of well-managed, single-owned assets will retain pricing power through the year. Tenants who waited out Q1 will find their window in carefully chosen submarkets.

Risks to the base case

Oil price volatility — a sustained move above USD 100/bbl would compound the GDP downgrade and slow corporate expansion. A quick return below USD 70/bbl would partially restore the original 2026 growth path.

Hormuz disruption duration — continued maritime route interruption affects logistics costs and tourism flows disproportionately for the UAE.

Demand concentration risk — high share of foreign-owned corporates makes UAE office demand sensitive to global business sentiment shifts.

Headquarter office

UAE, Dubai, One Central, The Offices 2,
Level 3, Combined Office 304/305
P.O. Box 416590

For questions and enquiries, please contact:

Alex Ostrovsky
Co-Founder & CEO,
Managing Partner
ao@multispace.ae

Anton Postnov
Co-Founder & Managing Partner,
Head of Legal
ap@multispace.ae

Pavel Taptygin
Head of Leasing
pt@multispace.ae

Maria Delmakova
Deputy Head of Leasing
md@multispace.ae

ispace_offices

ispaceproperties

ispace-offices

www.ispaceproperties.ae