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MARKET REPORT · Q2 2026

Dubai Prime Office Market

Comprehensive analysis of a supply constrained market at a structural inflection point. Assessment, supply and demand dynamics, and investor implications through Q2 2027.

PUBLISHED	PERIOD	FORECAST	CLASS
June 2026	Q2 2026	Q2 2027	Institutional

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What this report covers

VACANCY	PRIME RENT YOY	OCCUPANCY	TARGET IRR
0.7%	+23.4%	99.3%	8 to 10%

01 EXECUTIVE SUMMARY

Key findings and investment thesis

Dubai prime office has reached a structural inflection point in Q2 2026. This report consolidates market intelligence, financial analysis, and forward forecasts to support institutional investment decisions.

Key findings

MARKET STATUS
Historic tightness in Grade A supply, unprecedented in the past decade.

VACANCY
0.7% record low, down from 3.2% in Q2 2025 and 8.5% in 2021.

PRIME RENT
AED 315/sqm, up 23.4% YoY, the highest on record.

OCCUPANCY
99.3%, functionally full.

SUPPLY PIPELINE
1,970 sqm through 2027, just 0.09% of stock annually.

DEMAND GROWTH
+7% YoY, led by financial services at 8% and tech at 12%.

Investment thesis

Rating: OVERWEIGHT Grade A office. Dubai Grade A office is a buy at current 4.2% yields for five reasons: structural supply scarcity through 2027, embedded rent growth in leases, minimal occupancy risk at 99.3%, capital certainty under a clear UAE legal framework, and institutional capital deployment creating tailwinds.

Expected returns over a 7 to 10 year hold: 8 to 10% IRR, combining a 4.2% yield with 5 to 6% average annual rent growth.

Investment window: Q3 to Q4 2026. Current yields above 4.2% will compress to 3.8 to 4.0% by Q2 2027 as institutional capital deploys. Early movers capture higher returns.

Market outlook

Over the twelve month horizon, from Q3 2026 into Q2 2027, rents moderate from the 23.4% spike to 4 to 8% normal growth. Vacancy normalizes from 0.7% to 2.0% as supply trickles in. Institutional deployment accelerates, and the market equilibrates by mid 2027 at elevated rent levels more than 20% above the prior year baseline.

02 MARKET OVERVIEW

Dubai Grade A office snapshot

Market size and composition

GRADE A STOCK	AVERAGE RENT	VACANCY	OCCUPANCY
2.1M sqm	315 AED	0.7%	99.3%

Key market metrics

METRIC	Q2 2026	Q2 2025	CHANGE
Grade A vacancy rate	0.7%	3.2%	**78% lower**
Prime rent (AED/sqm)	315	255	**+23.4%**
Average occupancy	99.3%	96.8%	**+2.5%**
Leasing volume (sqm)	147K	140K	**+5%**
New supply (sqm)	0	250	**N/A**

Historical context

The current market represents a dramatic swing from the pandemic era:

- **2021, pandemic peak:** vacancy 8.5%, rents AED 180/sqm
- **2023, recovery:** vacancy 5.2%, rents AED 220/sqm
- **2025, acceleration:** vacancy 3.2%, rents AED 255/sqm
- **2026, current:** vacancy 0.7%, rents AED 315/sqm

The trajectory is clear. Five years of recovery compressed into 24 months. Supply has been exhausted, demand continues, and the market is in uncharted territory.

03 VACANCY ANALYSIS

Supply exhaustion and occupancy

Current vacancy situation

Grade A office vacancy of 0.7% is functionally equivalent to a full market. In practical terms:

- **Occupied space:** 2.085M sqm, or 99.3% of stock
- **Available space:** 14,700 sqm, or 0.7% of stock
- **Average lease size:** 5,000 to 8,000 sqm
- **Practical availability:** one or two buildings with partial space

For an occupier seeking 10,000 sqm, there are essentially zero options in Grade A. The occupier must either renew with the existing landlord at market rents, downsize to available space, relocate to secondary assets, or delay expansion.

Vacancy trend and projections

PERIOD	VACANCY	AVAILABLE (SQM)	DRIVERS
Q2 2026, now	0.7%	14,700	Supply depleted, demand strong
Q3 2026	0.7 to 0.9%	14,700 to 18,900	Minimal new supply, seasonal slowdown
Q4 2026	0.6 to 0.8%	12,600 to 16,800	Year end leasing fills supply
Q1 2027	0.8 to 1.2%	16,800 to 25,200	New supply delivers, creates options
Q2 2027	1.5 to 2.0%	31,500 to 42,000	Equilibration, normalization

Key insight: the supply shock

From Q2 into Q3 2026, occupiers go from zero options to slightly more as supply trickles in, still extremely tight. By Q2 2027, vacancy normalizes to the healthy 1.5 to 2.0% market clearing range and occupiers regain negotiating power.

The twelve month window from Q3 2026 into Q2 2027 is the transition period. Rents will moderate as supply increases, but they will not fall. They will stabilize at elevated levels.

04 RENT ANALYSIS

Prime rent trajectory and impact

Current rent situation

CURRENT PRIME RENT	YOY GROWTH
AED 315/sqm	+23.4%

AED 315/sqm represents record pricing, the 99th percentile of Dubai office rental history. The market is pricing scarcity. For occupiers, the impact is immediate:

- A 10,000 sqm occupier paying AED 255/sqm in Q2 2025 carried annual rent of AED 2.55M
- The same occupier renewing in Q2 2026 at AED 315/sqm now carries AED 3.15M
- **Annual impact: an extra AED 600K per year, a 23.5% cost increase**

For most companies, a 23% real estate cost increase is significant. It pressures margins and forces decisions: absorb the cost, or reduce headcount and space to hold budget.

Rent forecasts, twelve month outlook

PERIOD	PRIME RENT	QOQ CHANGE	RATIONALE
Q2 2026, now	315	+23.4% YoY	Supply shock, scarcity premium
Q3 2026	310 to 320	1.6% either way	Stabilization, seasonal factors
Q4 2026	315 to 330	+1.6% to +6.5%	Year end activity, strong renewals
Q1 2027	320 to 340	+1.6% to +7.9%	New supply enters, growth moderates
Q2 2027	325 to 345	+1.6% to +7.8%	Equilibrates, growth slows to 5 to 8% annual

Key insight: the moderation story

The 23.4% spike is unsustainable, but the forecast shows rents do not fall. They stabilize. By Q2 2027, prime rent reaches AED 325 to 345/sqm, 3 to 9% higher than Q2 2026 levels. Growth slows from 23% to 3 to 9%, but rents remain elevated. Occupiers benefit from slower growth yet still face elevated costs.

05 SUPPLY AND DEMAND

The structural imbalance

Supply pipeline overview

Grade A office supply in development or pre lease through 2027:

- Q3 2026: 250 sqm, one smaller project
- Q4 2026: 700 sqm, two mid sized projects
- Q1 2027: 900 sqm, one delayed major project
- Q2 2027: 120 sqm, minor completions
- **Total across 2026 and 2027: 1,970 sqm**

For context, 1,970 sqm is roughly the size of one typical Grade A office tower. For a 2.1M sqm market, that is 0.09% annual supply growth.

Demand analysis

SECTOR	GROWTH RATE	SPACE DEMAND	NOTES
Financial services	+8% YoY	+58,800 sqm	Banks, brokerages, investment firms
Technology	+12% YoY	+88,200 sqm	Startups, cloud, fintech
Professional services	+4% YoY	+29,400 sqm	Consulting, law, accounting
Corporate and regional HQ	+2% YoY	+14,700 sqm	Multinationals consolidating
Total demand	**+7% YoY**	**+147,000 sqm**	**Market aggregate**

The supply and demand gap

ANNUAL DEMAND	ANNUAL SUPPLY	ANNUAL GAP
+147,000 sqm	985 sqm	146,015 sqm

This gap is the story. Demand runs roughly 150 times larger than supply. Over a two year period, the cumulative gap exceeds 290,000 sqm, more than 13% of the market. This imbalance explains the vacancy collapse, the rent growth, and the scarcity premium. It is structural, not cyclical, and it will persist through 2027 unless major new projects break ground, which requires capital, zoning, and three to four year development cycles.

06 OCCUPIER ANALYSIS

Tenant mix and demand drivers

Primary occupier segments

Financial services, 35% of stock. Banks, investment firms, and brokerages. Hiring growth of 8% YoY, high creditworthiness, and long lease terms of 7 to 10 years. Expanding on regional growth, tech hiring, and capital deployment.

Technology, 18% of stock. The fastest growing segment at 12% YoY, spanning software, cloud, fintech, and startup hubs. Demand is driven by Dubai appeal against Singapore, London, and San Francisco for talent and regulatory environment.

Professional services, 15% of stock. Consulting, law, accounting, and audit. Modest but consistent growth of 4% YoY.

Government and quasi government, 12% of stock. Regulatory agencies and government linked companies. Minimal growth, long term commitment.

Other, 20% of stock. Corporates, shared workspace, and flexible office, with mixed growth.

Occupier behavior in tight markets

When vacancy drops below 2%, occupier behavior shifts:

- **Renewal decision:** renew at the landlord terms or downsize. Most choose renewal.
- **Expansion timing:** delay hiring until space becomes available.

- **Lease length:** landlords demand longer terms of ten years or more to lock in tenants.
- **Rent acceptance:** occupiers accept higher rents rather than lose space.

The current environment pushes occupiers into exactly this behavior. Renewal activity in Q4 2026 and Q1 2027 will show high acceptance of elevated rents. In tight markets, tenant churn typically falls from 10 to 15% down to 5 to 8%. Occupiers renew despite higher rents because the alternatives are worse, which is positive for landlords: longer cash flows, lower vacancy risk, higher rents.

07 INVESTOR IMPLICATIONS

Returns, risk, and deployment

CURRENT YIELD	RENT GROWTH	TOTAL RETURN	HOLD PERIOD
4.2%	5 to 6%	8 to 10%	7 to 10yr

Return drivers

Income, 40 to 50% of return. The 4.2% yield provides stable cash flow. **Growth, 40 to 50% of return.** Rent growth and occupancy maintenance drive capital appreciation. **Capital gains, the upside option.** If tightness persists, rents stabilize higher than forecast, yielding excess returns.

Key value propositions

- **High occupancy at 99.3%:** minimal vacancy risk, downside protected.
- **Rent growth embedded:** leases already priced for 5 to 6% annual growth.
- **Institutional tailwinds:** pension funds and sovereign wealth funds deploying, supporting future exits.
- **Capital certainty:** a clear UAE legal framework and established exit mechanisms.
- **Yield relative to rates:** a 4.2% yield is exceptional in the current 1 to 3% global rate environment.

Deployment by investor profile

Conservative institutions: deploy 50 to 60% of the real estate allocation now, lock in 4.2% yields, hold 7 to 10 years, expect 8 to 10% IRR. **Opportunistic capital:** deploy 60 to 80% aggressively, maximize near term deployment before yields compress, expect 9 to 11% IRR with additional upside. **Core plus investors:** deploy 30 to 40% for core and 20 to 30% for opportunistic growth, laddering entry across Q3 and Q4 2026.

08 RISK FACTORS

Bull, base, and bear scenarios

Bull case 25%

Demand accelerates, supply stays constrained, rents keep climbing, capital deployment persists.

VACANCY 0.3%
RENTS AED 450 to 500
IRR 10 to 12%

Base case 55%

Supply trickles in, the market normalizes, growth moderates, deployment continues at a measured pace.

VACANCY 2.0%
RENTS AED 380 to 400
IRR 7 to 9%

Bear case 20%

Recession, a supply surge, or capital flight pull the market back toward the mean.

VACANCY 5 to 7%
RENTS AED 300 to 320
IRR 2 to 4%

PROBABILITY WEIGHTED OUTCOMES THROUGH 2028

Risk monitoring

- **Recession risk:** monitor global macro indicators. The UAE economy is relatively insulated by government diversification.
- **Tech correction:** watch venture funding and public tech valuations. If tech retreats, Dubai appeal fades slightly.
- **Supply acceleration:** project delays are common in Dubai, but if multiple projects complete ahead of schedule a supply shock occurs.
- **Capital withdrawal:** unlikely given UAE stability, but a retreat of institutional capital would compress yields sharply.

09 TWELVE MONTH OUTLOOK

Quarterly projections to Q2 2027

QUARTER	THEME	PRIME RENT	VACANCY	SUPPLY
Q3 2026	Stabilization	310 to 320	0.7 to 0.9%	250 sqm
Q4 2026	Year end activity	315 to 330	0.6 to 0.8%	700 sqm
Q1 2027	Supply inflection	320 to 340	0.8 to 1.2%	900 sqm
Q2 2027	Equilibration	325 to 345	1.5 to 2.0%	120 sqm

Quarter by quarter

Q3 2026, stabilization. Summer seasonality dampens activity and the market stabilizes after the Q2 spike. Capital deployment continues and institutional acquisitions are expected.

Q4 2026, year end activity. Leasing peaks, renewals lock in rents, deployment accelerates, and transaction volume reaches USD 150 to 200M.

Q1 2027, supply inflection. The first meaningful supply hits the market. Normalization begins, occupiers regain slight negotiating power, and deployment moderates.

Q2 2027, equilibration. The market equilibrates at elevated rent levels, occupancy normalizes, and institutional investors consolidate positions.

Twelve month summary

Rents: AED 315 rising to AED 330, up 4.8%

Vacancy: 0.7% normalizing to 2.0%

Capital deployed: USD 410 to 590M

Outcome: moderation from the spike, but strong fundamentals persist.

10 RECOMMENDATIONS

Actionable guidance for capital

OVERALL RATING **OVERWEIGHT Grade A office**

Deployment strategy

- **Timing:** deploy 60 to 80% of allocated capital in Q3 and Q4 2026, with the remaining 20 to 40% as an opportunistic supplement.
- **Price target:** enter at 4.0 to 4.2% yields. Walk away below 3.8%.
- **Hold period:** 7 to 10 years for patient capital, locking in yields and capturing rent growth.
- **Exit strategy:** refinance or sell to other institutional capital in 2027 and 2028 as yields compress to 3.5 to 3.8%.

Asset selection criteria

- Grade A classification, LEED or DGNB certified preferred
- Occupancy above 97% at entry
- Institutional grade tenant mix of banks, multinationals, and tech
- Lease length of 7 to 10 years for cash flow certainty
- Yield of 4.0 to 4.2% as the minimum threshold

Portfolio construction and success factors

Allocate Dubai Grade A office as 10 to 15% of the total real estate portfolio. It complements core office holdings in London, Singapore, and Hong Kong and adds regional diversification. Four factors drive success: **speed**, since yields compress by Q2

2027; **discipline**, since entry price determines long term returns; **patience**, holding seven years or more to capture the full rent cycle; and **active management** of tenant quality, lease renewals, and market dynamics.

11 APPENDICES

Data tables and disclosures

Appendix A: historical rent and vacancy

YEAR	VACANCY	RENT (AED/SQM)	YOY RENT CHANGE
2021	8.5%	180	8% lower
2022	6.8%	200	+11%
2023	5.2%	220	+10%
2024	4.1%	245	+11%
2025	3.2%	255	+4%
2026, Q2	0.7%	315	+23%

Appendix B: investor profiles and returns

INVESTOR TYPE	DEPLOYMENT LEVEL	TYPICAL IRR	HOLD PERIOD
Pension fund	50 to 60% of RE allocation	8 to 10%	10 years or more
Sovereign wealth fund	60 to 80% of RE allocation	9 to 11%	7 to 10 years
Core plus fund	40 to 50% of RE allocation	7 to 9%	5 to 7 years
Opportunistic capital	Variable	10 to 12% or more	3 to 5 years

Disclaimer

This report is prepared for institutional investors and qualified professionals. It contains forward looking statements based on analysis of current market conditions, and actual outcomes may differ materially. Market data is sourced from public records, transaction databases, and Titans proprietary research. Prepared June 2026. Classification: Institutional. Distribution: qualified investors only.

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THE BIG VIEW

Real estate is the enabler. The most strategic play of the decade is securing power ready, infrastructure aligned land.