COURSE 213

Commercial: Leasing Essentials to Win More

6 Units • Driven Properties Training Hub

Unit 1: The Commercial Market

Dubai's commercial real estate market has experienced significant growth since COVID-19. As one of the first cities to reopen globally, Dubai became a preferred destination for businesses seeking a resilient economy. This surge in demand, particularly in retail and office spaces, has driven occupancy rates to near-capacity.

Market Insights (Statista)

- The Commercial Real Estate market in the UAE is predicted to achieve US$290.10bn by 2024.
- Projected steady CAGR (2024–2029) of 0.44%, reaching US$296.60bn by 2029.
- Surging demand for prime office spaces in Dubai's central business district.

Before COVID-19, commercial occupancy rates in Dubai were around 60%. Post-COVID, Dubai's swift recovery brought them up to approximately 95%, with prime locations reaching full occupancy — driving demand and rental prices for high-quality spaces.

Factors Impacting the Market

Step 1 – Customer Preferences

Demand is shifting towards modern, high-quality properties with top-notch facilities. Mixed-use developments and sustainability / energy efficiency are key differentiators.

Step 2 – Local Advantages

The UAE's global business hub status, strong economic performance, political stability, and supportive government initiatives attract local and international investment.

Step 3 – Macroeconomic Drivers

Population growth, urbanisation, and increased foreign direct investment have created pressing demand for more commercial spaces across all categories.

Return on Investment (ROI)

Commercial real estate in Dubai has shown considerably higher ROI than residential. Residential ROI typically caps around 8%, while commercial can exceed 15% — and some Driven | Forbes Global Properties-managed investors have achieved over 50%. Lower service charges, tenants covering internal maintenance, and extended lease terms all contribute to this outperformance.

Unit 2: Introduction to Commercial

This module provides brokers with a complete overview of the commercial property sector, covering key differences from residential real estate, lease terms, commission structures, tenant responsibilities, property types, and market trends.

Types of Commercial Properties

Retail Spaces

Consumer-focused businesses (pharmacies, supermarkets, clothing stores) in high-traffic areas ensuring maximum visibility and customer reach.

Offices

From small individual offices to corporate headquarters. Dubai has seen remarkable post-COVID demand from global businesses attracted by strategic location and infrastructure.

Industrial Properties

Warehouses, manufacturing plants, and distribution centres that underpin Dubai's role as a global logistics and trade hub.

Residential vs Commercial: Key Differences

Step: Clientele and Purpose

Residential: personal use by individuals or families. Commercial: business activities requiring larger, more stable spaces. Client expectations differ significantly.

Step: Lease Terms

Residential: typically 1 year. Commercial: usually 3–5 years, providing stability for tenants and predictable income for landlords.

Step: Commission

Sales: 2% from buyer or seller (both sectors). Rentals: 5% residential vs 10% commercial (minimum legally allowed 8.3%, equivalent to one month's rent).

Benefits of Commercial Real Estate Investment

Low Vacancy Risk

Dubai's growing economy ensures low vacancy risks and high occupancy rates.

Reliable Income

Business tenants undergo in-depth creditworthiness and sustainability checks.

Reduced Landlord Expenses

Owners pay only the service charge (10–15% of annual rent); tenants cover all other maintenance and internal renovation costs.

Unit 3: Qualifying Commercial Clients

Qualifying Retail Clients

When a client inquires about leasing retail space, ask targeted questions to ensure the space fits their business needs and brand positioning:

- Location Preference — where they want to open (critical for visibility).
- Space Requirements and Budget — size and budget to identify feasible options.
- Business Concept — affects type of space and location needed.
- Brand Status — existing vs new concept impacts site selection.
- Current & International Presence — understand local footprint and growth strategy.
- Concept Documentation — branding materials reveal target market and positioning.
- Target Customer — align demographics with chosen area's customer flow.
- F&B Requirements (if applicable) — ventilation, kitchen setup, outdoor seating.

Qualifying Office Clients

- Office Size and Budget — filter to suitable options.
- Company Status — existing vs new venture.
- Business Type — affects location and space requirements.
- Current Location and Preferred Area — identify convenient properties.
- Unit Requirements — shell & core (unfinished) or fully fitted.
- Employee Count — common areas: 80–100 sq ft/person; exec offices: 90–150 sq ft.
- Specific Needs — parking, metro proximity, other amenities.

Red Flags

Be cautious of clients offering large cash payments, which may indicate money laundering. Conduct thorough KYC / client background verification and avoid transactions with unclear financial sources. Prioritise transparency and legal compliance in all dealings.

Unit 4: Rentals Process Overview

Commercial leases span 3–5 years. Tenants are financially incentivised to commit longer due to initial investments in fit-outs. Payment norm: 1–2 cheque policy (vs up to 12 cheques in residential). Landlords cannot raise rents mid-term. Standard 90-day notice for renewal and 12-month notice for eviction — except DIFC, which has a 90-day eviction clause.

Documentation for Leasing

- Title Deed — confirms landlord's ownership.
- Client Identification — Passport, Visa, Emirates ID for all business partners / managers.
- Trade License — required before starting any business; must be valid to rent commercial property.
- MOA (Memorandum of Association) — translated in Arabic; confirms legal permission to rent.
- Permits — company must obtain necessary permits for use of the premises.

Unit 5: Sales Process Overview

Investors often purchase commercial properties with the intent to lease immediately. Agents may pre-secure tenants before the sale, ensuring rental income from day one. Under UAE property law, freehold commercial property must be owned by a company. Offshore companies registered with JAFZA or DMCC can own freehold properties; free-zone companies can own properties within their zone. Company ownership offers investment protection, privacy, security, and 100% foreign ownership.

The conveyancing process mirrors residential: Form F signing, NOC, and transfer at a Trustee Centre. Key differences are in associated fees and documents.

Associated Fees

1. Transfer fee of 4% to the Dubai Land Department (DLD).
2. 5% Value Added Tax (VAT).
3. Trustee registration fee: AED 4,000 + 5% VAT = AED 4,200.
4. Brokerage fees to the real estate agency.

Required Documents

- Title Deed — confirms seller's ownership.
- Client Identification — Passport, Visa, Emirates ID.
- NOC from JAFZA/DMCC — confirms free zone authority approval.
- MOA (Memorandum of Association) — translated in Arabic.
- Trade License — legal registration and permission to conduct business in UAE.
- Incorporation Certificate — verifies legal existence of the buyer's company.
- Board Resolution / Power of Attorney — authorisation from company decision-makers.

Unit 6: Module Quiz

5 questions in total. Correct answers are shown in green.

Q1. What is the main benefit of leasing commercial property in a Dubai Free Zone?

- Larger property size
- ✓ **100% foreign ownership**
- Free Ejari registration
- Lower rent

Q2. As of 2024, what is the main trend in Dubai's commercial real estate market?

- Decline of co-working spaces
- ✓ **High demand for sustainable buildings**
- Reduced interest in prime locations
- Overregulation of Free Zones

Q3. Which document is essential to complete a commercial lease in Dubai?

- ✓ **Ejari registration**
- Sales agreement
- Landlord's NOC
- Municipality permit

Q4. Which factor significantly impacts the valuation of commercial properties in Dubai?

- Number of floors in the building
- Quality of surrounding residential areas
- ✓ **Proximity to business hubs**
- Availability of public transport

Q5. According to Dubai Land Department regulations, what is the shortest lease term for a commercial lease?

- 3 months
- 6 months
- ✓ **12 months**
- 24 months