CLUTTONS

Monthly Middle East newsreel

February 2010

Dubai Residential

Abu Dhabi developer Aldar is toning down its plans for the Al Raha Beach development. Patrick Bell, head of pre-construction for Aldar told the UK-based Building magazine that though the company's vision for the waterfront project has not changed, Al Raha might look different from its original model. "A lot of lessons have been learned from the east precinct. We are revising the masterplan for the west precinct and Al Dana to support the vision but also to recognise where we are in these current times."
(Arabian Business 12.02.2010)

Service charges for some properties in Dubai are taking between 18 per cent and 48 per cent of annual rents, according to a recent report by Investment Boutique (iB). Falling rents coupled with high service charges are contributing to lower rental yields for investors in Dubai. Further, Real estate analysts also said that not all developers in Dubai were falling in line with the pricing guidelines for service charges as set by the Real Estate Regulatory Agency (Rera).
(*Emirates Business 24/7* 18.02.2010)

Union Properties shares have fallen to their lowest price on record after the company said it made significant provisions to cover losses for contracting costs and declining property valuations. The developer of Dubai's Motor City said it had swung to a loss of Dh498 million (US$135.5m) last year.
(*The National* 15.02.2010)

Already down by more than 50 per cent since the third quarter of 2008, analysts say Dubai property prices could fall another 30 per cent across some areas of the emirate. A major reason for the forecasted decline is oversupply, but the biggest impediment to a recovery is investor confidence. Analysts say that even though the market is offering properties at distressed prices, the lack of transparency surrounding Dubai World's request to restructure its debt – via Nakheel and Limitless – has further dampened investor enthusiasm.
(*The National* 16.02.2010)

Regional Residential

Work on Al Nurana, a $1billion development project off Bahrain's northern coastline, could soon come to a halt following a decision by municipal councillors yesterday. The GDN reported yesterday that the councillors planned to block the project, claiming a reclamation license for the Al Nurana residential and commercial project had been granted to developers without their permission.
(*Gulf Daily News* 02.02.2010).

Bahrain has not seen the extensive corrections in general asset prices that occurred in Dubai or elsewhere around the globe but Tim Glover, the Bahrain CEO of real estate specialist Cluttons, said a chance of instability remained. "There is still the potential for an imbalance between supply and demand across many of the real estate sectors and supply in particular will have to be carefully regulated in order to allow for some growth in market transactions," he said in a report issued February 22.
(*Oxford Business Group* 25.02.2010)

Bollywood superstar Shah Rukh Khan has confirmed that the luxury development in Ras Al Khaimah with which he is associated has been put on hold in the wake of the property downturn. Shah Rukh Khan Boulevard, a $2.2bn project on Dana Island off Ras Al Khaimah, United Arab Emirates, had been touted as an extension of Khan's home. The star had planned to contribute extensively to the conceptualisation and design of the residential complex, and also have a home there, according to UAE daily, Emirates Business.
(*Arabian Business* 14.02.2010)

Blue City, Oman's largest property development appears to be facing serious challenges after an insurance company announced it had increased its loss provisions to cover the project's possible collapse. The immense Blue City project was Oman's answer to the booming property markets of Dubai and elsewhere in the Gulf.
(*The National* 18.02.2010)

The exclusive Nurai development, located on a small island off Saadiyat Island, is to have 49 homes, a hotel and a Cafe del Mar nightclub built on the island's breakwater. The development, launched in 2008, has reduced its number of villas from 67 to 49, as 20 per cent of the original buyers defaulted on their payments. With original prices ranging from Dh55 – 100 million, and annual maintenance fees of Dh180,000 to Dh250,000, Nurai had been among the most expensive homes in Abu Dhabi. About half of the homes are still for sale.
(*The National* 08.02.2010)

A new survey report by Future Brand shows that two-thirds of would-be property buyers intending to purchase in the Gulf believe that the region offers good value for money, despite attributing the principal impact of the global economic downturn to a lack of trust in developers. Some 63% said they were likely to invest, 15% said they were unlikely to do so and 16% said they do not think the region offers good value property at present.
(*Property Wire* 08.02.2010)

Buyers of homes in the Tala Tower on Reem Island have started advertising their apartments for sale with steep discounts after the developer, Surouh, revealed that the building may not be handed over on time this year. According to Re/Max Abu Dhabi buyers of apartments in the tower were trying to unload the properties with prices as low as Dh700 to Dh800 per square foot, while the prevailing rate for homes on Reem Island was more than Dh1,000 per sq ft.
(*The National* 16.02.2010)

The developers of Amwaj Gateway in Bahrain have denied claims that construction has been halted and investors left out of pocket. The Amwaj Gateway project has been beset by allegations that work has stopped on the development. The $183m project, launched in July 2006, was originally scheduled to be completed last May. The project's managing director to the Gulf Daily News said that "all is well" at the construction site, but added that "certain things" needed to be resolved with contractors.
(*Arabian Business* 09.02.2010)

Dubai Commercial

Nomura Holdings, the Japanese bank, predicted some 20 million square feet of commercial space will be completed in Dubai by 2011, and 10 million sq ft in Abu Dhabi. However, most of the new office blocks being built in Dubai had originally been sold by the floor and in some cases have dozens of owners. This makes the possibility of selling them on to institutional investors almost impossible, according to property consultants in the emirate. However, most of the new office space being delivered in Abu Dhabi has single ownership.
(*The National* 02.02.2010)

Markus Giebel, CEO of Dubai's second largest developer, Deyaar, forecasts that the real estate market in Dubai will post a recovery in 2011, the third year after its initial crash. "My personal belief is that Dubai has reached the bottom. I cannot tell you whether the market will oscillate 5% up or down this year, but I can tell you that it won't go 20% up or down." He explained that 2010 would be 'the year of the contractor' and that Deeyar had instigated a full review of all its contractors in order to lay out transparent payment plans that would be completed and signed within the next two or three weeks.
(*Gulf News* 26.02.2010)

Limitless, one of Dubai World's property units, is renegotiating payment schedules with construction companies on three big Dubai developments ahead of a US$1.2 billion (Dh4.4bn) loan repayment due next month. Limitless is winding down contracts on the Downtown Jebel Ali development, a business and residential centre on Sheikh Zayed Road, as well as the Arabian Canal project. The property company's liabilities are part of the $26bn debt that Dubai World is renegotiating with creditors.
(*The National* 22.02.2010)

Emaar reported earnings that were better than expected yesterday as the developer of the world's tallest tower profited from its mall and hotel businesses. That positive momentum is likely to continue this quarter as the region's largest property company begins to book handover payments on the Burj Khalifa and its surrounding downtown development of flats, hotels and shops.
(*The National* 11.02.2010)

Regional Commercial

A few months ahead of its official launch, three anchor tenants in Dalma Mall in the Musaffah area could open by the middle of next month. Dalma Mall, which expects to feature about 480 stores covering 150,000 square metres of leasable retail space is one of at least five malls to open their doors in the emirate this year. The others include Paragon Point on Reem Island, the first phase of the Central Market souk in the Abu Dhabi and 9712 mall in Musaffah.
(*The National* 13.02.2010)

Saudi Arabia has announced plans to build a $13bn 'tourist city' in Al-Oqair, just south of Al-Khobar on the Kingdom's eastern coast. The Al-Oqair plan is just one of a series of tourism megaprojects on the Red Sea coast that Saudi Arabia is planning to develop, which includes Tabuk, Yanbu, Makah, Asir and Jizan provinces. SCTA officials said that the planned resorts would be a total of 557,000 hotel rooms online. The government expects that the Red Sea projects will attract $40bn in investment, with annual tourist spending estimated at $2.6bn.
(*Arabian Business* 21.02.2010)

Abu Dhabi's latest industrial zone will be full by the end of the year as demand for industrial space in the emirate shows no signs of abating. About 50 of the companies on a waiting list for land will be allocated plots in phase 3 of Industrial City of Abu Dhabi (ICAD) in Musaffah. It will specialise in companies involved with construction materials, engineering and chemical compounds.
(*The National* 22.02.2010)

According to Bahrain's Finance Minister, the country's realty sector has been less affected by the global meltdown. The level of Government stimulus required for Bahrain's real estate sector was not as high as in some other countries with the impact of the global and regional economic crisis on the sector being 'relatively modest'. Saying that the Kingdom's economic growth for 2009 was projected at over three percent, he said the worst of the economic downturn had now passed and 2010 would be a year of recovery, 'although it may be modest and patchy in places'.
(*Business Tribune* 16.02.2010)

UAE and Regional Economic News

Non-performing loans are expected to swell almost 50 percent to nearly Dh65 billion (US$17.69bn) this year as the global economic downturn and sagging property prices take a further toll on the country's lenders. Non-performing loans are expected to rise to 6.5 per cent of bank lending this year from 4.4 per cent last year, according to the Central Bank Governor, Sultan Nasser al Suwaidi. The total value of loans and advances in the UAE is Dh1 trillion, according to Central Bank statistics.
(*The National* 08.02.2010)

Bahrain witnessed an employment slump last year, according to new government figures. There was a 17 percent increase in the first quarter, but this dropped dramatically to just four percent between October and December. Total employment growth stood at 4.4 percent, the lowest since 2002, but Bahraini employment actually shrank after witnessing 10 percent growth between January and April. The number of employed Bahrainis peaked at 142,642 in the first quarter, but dropped to 136,532 by year end.
(*Gulf Daily News* 19.02.2010).

The Emirates interbank offered rate (Eibor), the interest rate banks charge when they lend to one another, has steadily risen over recent months to reach its highest level since last October. The measure is commonly used as the basis for interest on loans, including variable-rate mortgages. Despite the rise, some banks have been complaining that Eibor is still not in line with their cost of borrowing money. They say true market rates remain higher because of a shortage of liquidity in the financial system.
(*The National* 24.02.2010)

The Central Bank of Bahrain (CBB) launched a consultation process with banks aimed at introducing tighter limits on banks' credit and asset exposures. The CBB said that it plans to introduce an upper limit on commitments to underwriting securities or syndicated loans of 30 percent of bank's capital for a period of 90 days. The placement of real estate projects and private equity deals with investors have been the main revenue source for many of Bahrain's investment houses during an oil-fuelled regional property boom that ended 2008.
(*Arabian Business* 14.02.2010)

CLUTTONS

Property services

Cluttons offers a comprehensive agency, management and professional service to all owners and occupiers of commercial and residential property throughout the Middle East.

We act for a wide variety of institutional, corporate and high net worth clients and we have connections with all the major lending institutions through our valuation services.

Presented here is a list of our principal activities. We offer you a single point of contact so that you may be directed to the person who will best be able to offer you the right service.

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