

ISSUE #1

INSIDE VIEW

DUBAI 2016





For Sale - Burj Khalifa Penthouse

Dubai Market Overview

A budding cosmopolitan city that encompasses many of the vital lifestyle elements that cater to different individuals, Dubai has cemented itself as a leading hub for businesses and families alike.

Whether it is the ease of doing business that prompts companies and young entrepreneurs to set up in Dubai, or the availability of international grade education systems and family friendly activities that encourage families to relocate, it comes as no surprise that investors have looked at Dubai with keen interest as it has accommodated for individuals from diverse backgrounds and interests.

Strong regulatory policies undertaken by the government in recent years to avoid market speculation, coupled with solid economic fundamentals and world-class infrastructure have reinforced Dubai's position as a global hub for trade, transport and tourism, and further shaped Dubai to become a favourable destination for regional and international property investors. This is in addition to Dubai's strategic geographical location, providing access to all regional and international markets.

In terms of products, Dubai offers an expansive range of property types that cater to its broad platform of investors. We find buyers are drawn to

the vibrancy and the central location of Downtown Dubai, given its proximity to the Central Business District and key sources of entertainment such as the newly opened Opera House. It's accessibility to a wide range of food and beverage offerings and world class retail, provided by the largest mall in the world The Dubai Mall, Downtown Dubai is favorable among individuals and young families alike.

For lifestyle opportunities within a close proximity, buyers are drawn to communities such as Emirates Living and Arabian Ranches. These locations offer quality living spaces for families, and typically encompass schools, clinics and retail centres that cater to residents' needs. Other key developments, such as Palm Jumeirah, provide an opportunity for those seeking unique and prestigious waterfront properties, surrounded by luxury hotels and resorts.

While the reasons to invest in Dubai property may vary, ultimately there are key factors that buyers look for when considering their purchase. Demand for properties undertaken by reputed developers with proven track records of successful and timely delivery continues to be active. This is particularly true for off-plan property purchases.

We also see active demand for properties within developed master-plans. Whether existing or under construction, projects

in amenity-equipped locations continue to build interest. Developed infrastructure and accessibility, whether by car or public transport, are also favoured by buyers.

Despite its relatively young age, the property market in Dubai has transformed over the past years and is currently well established globally. With continued government spending on infrastructure projects, the increased availability of quality investment stock, and the development of more transparent processes and procedures, the real estate industry in Dubai is only set to expand further and attract more sophisticated investors.



Dana Salbak
Associate Partner,
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The alternative side to Dubai

From a new ‘urban lifestyle’ centre built out of hundreds of brightly-coloured shipping containers, to art galleries in architect-designed warehouses and new smart hubs that nurture global design talent, this is the kind of young, urban scene you find in London’s Shoreditch, Miami’s Wynwood district or the hippest areas of Brooklyn.

by Zoe Dare Hall

But this is Dubai. This is the city whose pivotally-located port, oil wealth and prominence as a global financial centre have long made it a magnet for those seeking to make their fortune, then leave again.

Now the city built on sand wants to state its permanence. Dubai is maturing in its mentality. It no longer wants to be seen as a transient, get rich quick city – a place where everything built during its construction boom in the early 2000s was the world’s first, biggest or best.

Following the global financial and real estate downturn in 2008, many questioned whether this gleaming, young city had the resilience to bounce back. And the answer is undeniably yes– but this time, with new strings to its bow.

It’s a fitting metaphor as music– and the arts in a wider sense–is one of the ways in which Dubai is carving out a new identity as a place of integrity and cultural innovation. Its aim now is to cement a reputation as the leading creative hub of the Middle East. And in turn, Dubai hopes that it will become a place where individuals and families from all over the world will want to put down roots for the long term.

The new Dubai Opera – the focal point of the city’s new Opera District, now open, bringing a major new performance space to the city. Shaped like a wooden dhow of the sort synonymous with Dubai Creek, the gleaming new opera house designed by the architect Janus Rostock is both a tribute to Dubai’s maritime history and a modern, flexible

arts centre – one that can be transformed from a 2,000-seat theatre to a concert hall that wraps its orchestra in an acoustic shell. Or its floor can be flattened to become an event space for anything from banquets to trade shows. The surrounding Opera District provides new parks and waterfront walkways, retail and high-end residential apartments, including Emaar’s 66-storey Opera Grand, close to the Burj Khalifa.

In recent years, Dubai has excelled in attracting young international talent, but mainly to its worlds of finance and business. Now it is seeking to diversify by offering the kind of culture, work hubs and social spaces that see a new generation of creative pioneers consider working and living in Dubai in the way they might in London, Berlin or New York.

The design industry in the Middle East is worth around \$2.3 billion, and Dubai is perfectly placed to harness the best of East and West. Its emerging artists and fashion designers – along with major global brands – have a new home in d3, the Dubai Design District, with its high-tech and world class offices, studios and ateliers. These are creative spaces that blur the distinction between work and play – a work space whose atmosphere (and appealing places to eat and drink) encourages its community to socialise there during afterhours. A residential element is also planned for the next phase of d3.



Dubai designer Paul Bruwer: Instagram @FORMANDZEN, formandzen@gmail.com

Dubai is maturing in its mentality. It no longer wants to be seen as a transient, get rich quickly city.

Whilst Dubai is well known for its leading commercial and residential architectural designs, it is now evolving to encourage more independent, artistic direction. With Dubai being home to 200 nationalities, it already has a vibrant, diverse community to provide the building blocks.

An ever-growing calendar of annual design-themed events is also helping to foster this community. Springtime in Dubai heralds the start, with Art Dubai and the SIKKA Art Fair in March, World Art Dubai and Fashion Forward in April and towards the end of the year, Dubai Design Week, which attracted 23,000 visitors and 150 designers in 2015, its first year.

Alserkal Avenue – a new arts hub that began to take shape in Dubai’s industrial quarter in 2007– appeals to a similar creative

audience, with its warehouses now home to artists’ studios, galleries and educational spaces for community-led cultural initiatives and independent theatre and cinema.

Dubai’s new direction isn’t all about art – but there is a new awareness of urban design pervading its commerce. Box Park brings a new “urban lifestyle concept”, according to its makers, Meraas, who have turned 220 shipping containers into a new shopping district that includes new, cutting edge brands such as Urbanist, OnePiece and the new women’s cycling brand Liv.

Hotels are also getting in on the act. Rove Downtown Dubai is unlike any other hotel in the city, with its fresh, cool and fun look. It is marketed as a “design-influenced, value-lifestyle” hotel and it provides the high-tech, social hub that young travellers want.

Dubai is a city with more than 400 gyms and which sees more than \$1.7 billion a year on sport-related expenditure. There is little you can’t do, sports-wise, in Dubai – including, snow-skiing. But the

city’s leisure scene is taking on a new hue with the proliferation of mass participation street races such as We Run Dubai, the Electric Run and Color Run – as well as the Dubai Marathon, which saw 25,000 runners last year and sits alongside such staples of Dubai’s sporting calendar as the Dubai Tour and Dubai World Cup.

Through its development of art, design, music and sport, Dubai is learning that urbanism is about far more than building the world’s biggest towers. It is also about building the diverse communities of people that live in, around, and within sight of them – and about giving them plenty of reasons to stay.

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Market resilience continues

Dubai’s residential market is expected to continue its gradual softening throughout the remainder of 2016 and into 2017. We see this as a sign of a further maturing market, with prices becoming more realistic as vendors adjust their expectations. Confidence is expected to return to the market with on-going government spending ahead of the Expo 2020.

Prices

The residential market in Dubai maintained its stability in the first half of 2016. Despite an annual 7% Y-o-Y drop across the mainstream market, the General REIDIN sale price index remained relatively flat on a monthly basis with no noticeable changes in the performance of both apartments and villas.

Similarly, Dubai’s prime residential market remained buoyant in H1 2016. While the General REIDIN prime price index declined 5% in H1 2016 versus H1 2015, prices in the prime segment remained stable on a monthly basis, with a 2% increase witnessed in Q1 2016.

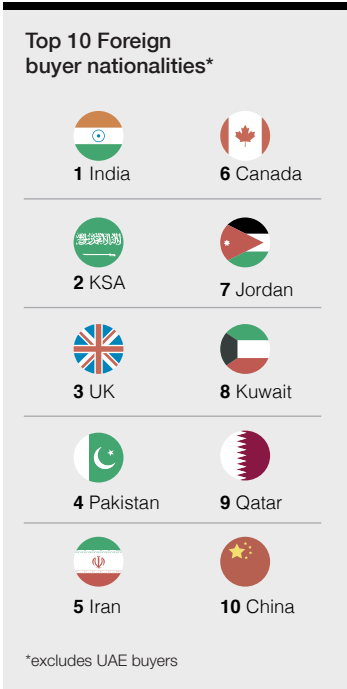
While there has been much talk in the market about a dramatic decline in residential prices, akin to that witnessed in 2009, we believe the real estate market is better situated to face any potential threats. Regulations, government commitment to infrastructure spending, and the realization among developers of the need

to phase out projects in line with demand to avoid an oversupply, lead us to believe the real estate market has become more mature and resilient.

Sales

Data from the Dubai Land Department (DLD) reveals that the total value of transactions across Dubai reached AED 113 billion (USD 31 billion) in H1 2016; a 12% decline from H1 2015 levels. Despite this decline, transaction volumes have gained momentum with a 23% increase over the first half of the year.

In turn, the value of residential properties transacted in the prime market reached AED 1.1 billion in H1 2016 versus AED 1.7 billion in H1 2015. However, the prime segment witnessed growth in activity on a monthly basis since January 2016. Particularly in this segment, the limited supply and strong demand from high-net worth investors looking for long term capital appreciation, and



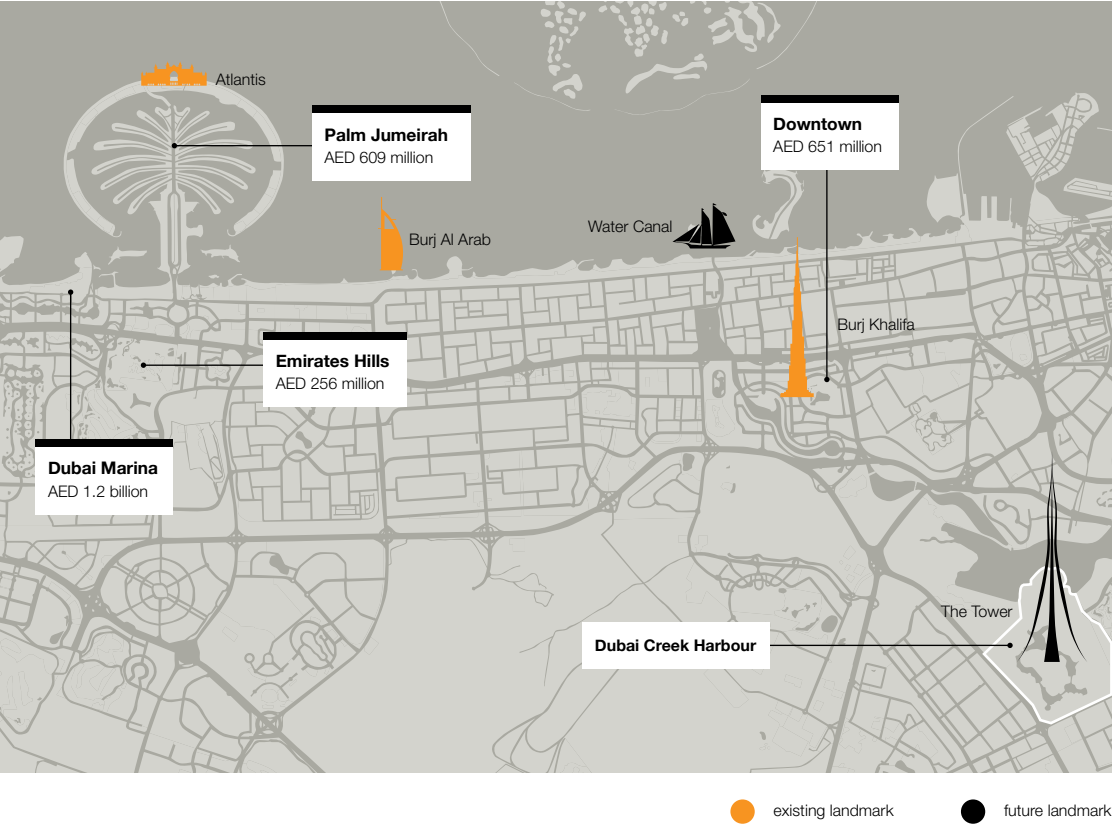
well-crafted and good quality products, is expected to boost activity further over the second half of the year.

Demand

Dubai continues to attract interest from international buyers. According to the Dubai Land Department (DLD), the first half of 2016 saw 149 nationalities invest in Dubai’s property market, with the majority attributed to Emiratis. Foreign investors were led by Saudi, Indian, British, and Pakistani nationals, who have traditionally been the top three buyers of property in Dubai.

Established areas like Palm Jumeirah and Dubai Downtown continue to be popular choices for investors and occupiers alike. Looking inland, new master-developments such as Dubai

The value of residential property sold in H1 2016



Creek Harbour and Mohammed Bin Rashid City (MBR) are also proving attractive due to the planned infrastructure and supporting amenities. Their proximity to Downtown Dubai and the Central Business District along with the Dubai International Airport add to their value and appeal.

Outlook

While it’s difficult to predict when the next growth cycle will be, we expect the residential market to level out by the end of 2016 before seeing gradual recovery in 2017. This is supported by continued government spending on infrastructure and facilities, in preparation for the Expo 2020.

On a segment split, we expect prime residential properties to continue to outperform the

market average in the short-to-medium term.

However, the outlook for the emirate in general and the real estate sector in particular depends on a number of global and regional fundamentals. Further volatility

in oil prices, the US presidential elections (November 2016), and on-going geopolitical tensions are likely to impact the behaviour of currencies, investor sentiment, and consequently the demand for property.



Dubai Creek Harbour

The Purchase Procedure in Dubai

Buying property in Dubai should be relatively straightforward, but we would always recommend that you engage the services of a reputable agent, lawyer, and notary.

Buying process

The property is selected and the terms agreed on. The property must then be secured and the relevant Real Estate Regulatory Agency (RERA) paperwork completed. It is customary that 10% of the purchase price is paid at this time.

Procedures

The parties meet at the offices of the developer to apply for a No Objection Certificate (“NOC”) to transfer the property. The developer will usually issue the NOC against payment of a fee once satisfied that any amounts due to the developer in the form of service charges have been settled in full and that no alterations have been made to the property without consent.

Once the NOC is issued, the parties are free to attend the offices of the Dubai Land Department to effect transfer of ownership. The Dubai Land Department will insist on payment of the purchase price being made in the form of a manager’s cheque made payable to the seller on the date of transfer. Once the formalities are completed, a new title deed will be issued in the name of the buyer.

If the buyer is purchasing with the aid of a mortgage then the bank’s involvement will of course be required. Likewise, if the seller has an existing mortgage over the property then there will be more steps involved as the buyer will be required to settle the seller’s mortgage in full prior to the NOC application.

- The procedure for new build properties are as follows:
- Developer and buyer agree to terms.
 - An SPA agreement is signed and deposit paid.
 - Buyer pays the 4% registration fee and admin fee, usually c.AED 1,000 toward property registration.
 - Buyer continues to pay installments toward the property price as per the approved payment plan. (Payment plan should be approved by DLD and payments go to an ESCROW account).
 - Balance on completion.
 - Developer to register the property and transfer the title deed.

Powers of Attorney

If the seller or buyer is represented under Power of Attorney then it is a requirement that such Power of Attorney is either signed before a Notary Public in the United Arab Emirates, or notarized in the country in which it was signed and then legalized up to the UAE Embassy in that country. When the document reaches Dubai it should then be attested at the Ministry of Foreign Affairs and, if not prepared in Arabic, it will have to be legally translated into Arabic before it will be acceptable to the Dubai Land Department.

Currently, the Dubai Land Department is insisting that Powers of Attorney are no more than two years old.



Required documents	
Individual seller and buyer	
Original Title Deed	
Original passport	
Emirates ID (if applicable)	
Corporate seller and buyer	
Original Title Deed	
Original Certificate of Incorporation / Trade License	
Original Memorandum and Articles of Association	
Legal Translation of the Memorandum and Articles of Association	
Original Certificate of Good Standing (not more than 3 months old - 5 days old if onshore corporate seller)	
Original Certificate of Incumbency (not more than 3 months old - 5 days old if onshore corporate seller)	
Copy of shareholder(s) passport(s)	
Original Resolution approving the sale or purchase (as the case may be)	
Original Power of Attorney	
Attorney's original passport	

The above list of corporate documents is not exhaustive and the requirements will vary depending on the corporate entity in question. It is therefore advisable when dealing with a corporate entity to approach the Dubai Land Department prior to the completion date to have the documents pre-approved.

Any documents presented to the Dubai Land Department which are not in Arabic are required to be translated into Arabic by a certified legal translator.

Costs

The following fees will generally apply to the sale and purchase of real estate in Dubai:

NOC fees
Between AED 500 and AED 5,000
Real Estate Agent’s Commission
Usually 2% of the purchase price
Transfer fees
4% of the purchase price plus admin fees
Mortgage registration fees (if applicable)
0.25% of the registered loan amount
Service charges
For the individual property

Additional fees will apply at the offices of the developer and the Dubai Land Department in order to discharge a seller’s mortgage.

Financing

Although a large proportion of real property in Dubai is transferred on the basis of cash, financial institutions in Dubai do offer mortgages. For the most part however these are only available to UAE nationals and those foreign nationals resident in Dubai. Restrictions on mortgages have been placed upon banks and lenders by the UAE Central Bank.

These Central Bank Regulations currently restrict lending to foreign nationals purchasing real property where construction is completed to the following:

First Property

Up to a maximum of 75% of the value of the property for property valued at less than AED 5 million;

Up to a maximum of 65% of the value of the property for property valued at more than AED 5 million.

Second and Subsequent Properties

Up to a maximum of 60% of the value of the property irrespective of the value of the property. A separate set of loan to value ratios apply to UAE nationals.

For properties under construction, the restrictions are:

Up to 50% of the value of the property irrespective of the purpose for which the property is being purchased or the value of the property.

The same loan to value ratio applies to UAE nationals in this instance

Certain other restrictions have also been imposed by the Regulations, including but not limited to:

- Maximum term of the mortgage should be 25 years;
- Maximum age at the time of the last installment payment should be 65 years for foreign nationals (or 70 years if self-employed);
- The ratio of debt to income shall not exceed 50%;
- The maximum financing amount allowed for foreign nationals shall not exceed 7 years annual income.
- Not available with all banks (certain banks offer off plan mortgages).

Tax and Structuring

The Dubai law currently places no restrictions on the number of properties a foreign national can own and there are no tax implications in Dubai itself on

real property ownership. Foreign nationals are encouraged to seek independent tax advice from experts in their home countries as to how their ownership of real property in Dubai might affect them for the purposes of tax elsewhere.

If a foreign national wishes to acquire property in the name of a corporate entity then the only corporate entities permitted to purchase real property in Dubai are either companies registered within the United Arab Emirates or offshore companies incorporated in the Jebel Ali Free Zone. The Dubai Land Department does not apply any restrictions however on the structure of the corporate offshore entity and these can therefore be owned either by individuals or foreign companies.

Residence Permits

The General Directorate of Residency and foreign affairs Dubai will issue Residence Permits for property owners, on approval from the Dubai Land Department and Dubai Economic Department. The validity period is 2 years, with no maximum stay requirements. However, visa holders should not stay outside the UAE for more than 6 consecutive months.

The minimum investment threshold is property valued in excess of AED 1 million and the property must be located in a freehold area.

Dependent’s sponsorship is allowed, including domestic workers.

Please note, all fees payable to the Dubai Land Department (DLD) are subject to change at the Dubai Land Departments discretion.

The Dubai Network

In addition to our offices in Dubai, Abu Dhabi, and Riyadh, the Knight Frank Middle East team works closely with our global network including our Asia Pacific, Europe, and Africa offices as well as the US based Douglas Elliman Fine Homes.

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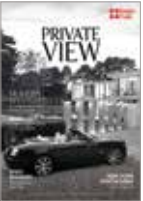
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