



ISSUE #3

# INSIDE VIEW

## DUBAI 2018



# Dubai: Planning for the future

**For more than a decade Dubai's success story has been built on being the biggest and brightest; the world's tallest tower, the largest indoor ski slope, the busiest international airport.**

However since the Global Financial Crisis of 2009 and the more recent slowdown in global economic activity, Dubai has seen a shift in its strategic direction. Over the past couple of years policy makers have focused on creating a more sustainable and purposeful city, one that is here to stay.

Indeed Dubai's future strategy is based on holistic dimensions with the people and society at its core. Prosperity, diversity, tolerance and multiculturalism are only some of the headlines that underlie the emirate's new developmental direction; elements that continue to attract a wide range of nationalities to live, work and invest in Dubai.

On the ground, improvements to Dubai's infrastructure are taking shape rapidly. The Dubai Canal project, due for completion

in 2023, is expected to add approximately 200 waterfront homes and an array of new food and beverage offerings and entertainment facilities. Similarly, plans to position Dubai as one of the world's most connected cities are underway. The Smart City project will use The Internet of all Things' to increase communication and intelligent connection between people, data and devices.

Furthermore, Dubai has also established spaces fostering creativity. With phase one already completed and phase two completing in 2021, Dubai Design District will be the center of the city's creative community supporting the growth of the local design industry.

***What do all these and other innovations have in store for Dubai's residential market?***

While the recovery in 2014 fuelled rumors of a potential housing bubble, the authorities were quick to react by introducing a range of cooling measures. Coupled with the realization among developers of the need to phase out supply in line with demand, Dubai's residential market managed to weather the storm and maintain its stability.

Today, and as the economy opens up in the face of new industries and new talents, demand continues to grow, particularly for off-plan property.

Downtown Dubai continues to be a popular location given its proximity to the emirate's Central Business District and the vast range of entertainment and lifestyle amenities on offer such as The Dubai Mall and Dubai Opera.

Both occupiers and investors continue to be attracted to the unique offerings on the Palm Jumeirah, supported by luxury hotels and resorts. We anticipate this demand will only continue to strengthen with the introduction of The Pointe and Nakheel Mall, which are expected to be completed in 2018, offering world-class entertainment, dining and retail destinations. For lifestyle opportunities, residential communities such as Emirates Living and Arabian Ranches are

popular amongst investors as they offer integrated solutions to living including schools and community malls.

With Expo 2020 almost two years away, experts are estimating the event will generate approximately 300,000 direct jobs and up to a million indirect jobs. An increase in the workforce will subsequently result in greater demand for housing. Already a range of affordable and luxury properties are under construction to cater to diverse foreign and local appetite.

As Dubai continues to cement its reputation as a thriving global business, tourist and retail hub, the real estate sector and particularly the residential market is expected to thrive and continue to be an integral part of the economy.



**Maria Morris**  
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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



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## 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.

*Zoe Dare Hall is a freelance journalist who specialises in writing about all aspects of international property. She writes for various newspapers and magazines, including The Sunday Times, The Daily Telegraph and is a regular property columnist for The Daily Telegraph Luxury.*

# International investment prevalent despite challenging market conditions

Dubai's residential property market has transitioned through a range of stages over recent history, the latest of which shows a much more stable and mature market compared to that of even five years ago. Over this time period a combination of a strong Emirati Dirham, collapse in oil prices and high level of supply provided a correction to the market. In the present, with stable oil prices, a weakening Dirham, enhanced regulations, government commitment to infrastructure spending, the realisation by developers to phase in projects and a more robust economic backdrop have provided a stronger footing for the property market.

## Market performance

Dubai's residential market in 2017 has been a story of stabilisation after a period of weak market performance which started in early 2015. Mainstream sales prices fell by 2% in the year to Q3 2017 according to data from REIDIN.

Comparing average price change in the first nine months of the year: in 2016 the figure registered at -5.6%, over the same time period in 2017 price falls have slowed to -0.6%.

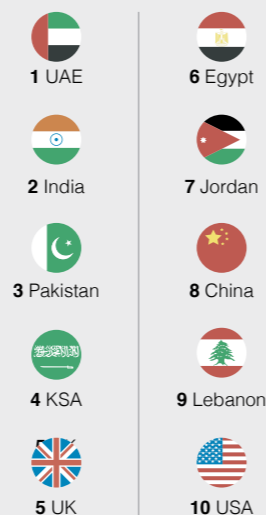
Prime residential prices over the year to September 2017 have fallen by 3.8%. However, we may be seeing this segment of the market beginning to reach its trough with monthly price growth from August 2017 to September 2017 registering positive growth. More so in the prime market, sub-market performance has begun to diverge. In prime markets, where new supply has been limited such

as Palm Jumeirah and Emirates Living we have seen price growth return over the short term, whereas areas such as Downtown where new supply is evident prices have continued to fall.

Despite the lacklustre market performance across both mainstream and prime residential markets, yields have remained relatively robust. As at Q3 2017 mainstream yields stood at 6.8% and prime yields at 5.5%, a year earlier mainstream yields were 0.3% higher and prime yields 0.1% higher.

Despite the lacklustre market performance across both mainstream and prime residential markets, yields have remained relatively robust. As at Q3 2017 mainstream yields stood at 6.8% and prime yields at 5.5%, a year earlier mainstream yields were 0.3 percentage points higher and prime yields 0.1 percentage points higher

Top 10 buyers by nationalities to invest in Dubai's real estate market by number of transactions (January 2016 to June 2017)



Source: Knight Frank Research, Dubai Land Department

## Sales

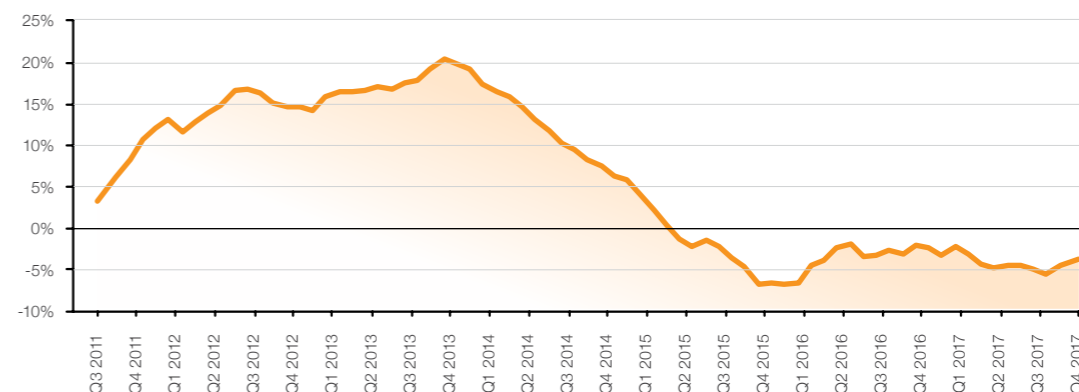
Mainstream transaction volumes in the first nine months of 2017 have risen by 10% compared to the same period a year earlier. The total value of transactions over this period registered at AED36.86 billion (US\$10.04 billion) up 12% compared to a year earlier.

In the nine months to September 2017 prime transaction volumes have increased by 6% and the total value of prime transactions registered at AED2.27 billion (US\$ 619 million), up 9% from the same period a year earlier.

## Demand

Dubai continues to attract international buyers to its property market with over 217

Prime market performance, year-on-year % change



Source: Knight Frank Research

nationalities investing in the market in the 18 months to June 2017 according to data from Dubai Land Department. Emiratis continue to be the largest group of buyers. The make-up of the top five foreign nationalities remains broadly similar to historic trends with Indians leading the pack, followed by Pakistani, Saudi Arabian and British buyers. More interestingly the composition of the top 10 nationalities by number of transactions shows the broad appeal of Dubai's property market, with more buyers not from the immediate region such as America and China becoming a more material source of investment.

## Outlook

On balance, the outlook for Dubai's economy and real estate market remains positive despite some key risks which must be monitored and managed. Additionally we also note that price performance will continue to diverge in 2018 across Dubai, with neighbourhoods where a significant delivery of new supply is expected likely to continue to see prices soften.

As regional economies adapt to the new norm in oil prices and

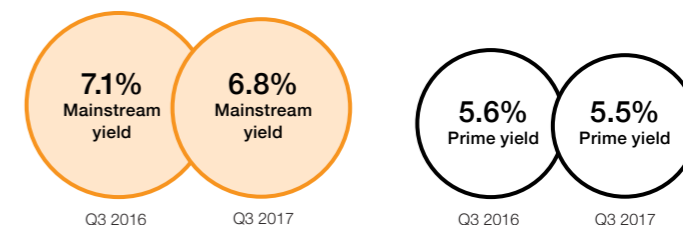
Dubai diversifies in line with its economic diversification strategy, Vision 2021, and government infrastructure spending continues ahead of Expo 2020, we anticipate GDP growth will accelerate in 2018 providing support for the residential market.

In the first nine months of the year we have seen the effective exchange rate of the Dirham drop circa 5% against its weighted basket of currencies. This has provided support for the residential market given the material presence of international investors in Dubai. Looking

forward a key risk to market performance would be any significant appreciations of the Dollar (to which the Dirham is pegged) due to hike by the Federal Reserve. Additionally ongoing geo-political uncertainties may also impact demand.

Overall the risks may be outweighed by the expectations of stronger global economic and trade growth in 2018 than previously forecast, which Dubai would certainly benefit from given its standing as a regional trading hub and safe haven.

Dubai's yield potential



Source: Knight Frank Research

# 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 any Real Estate Registration Trustee 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.

## 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

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

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.

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

## Costs

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

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 or Dubai International Financial Centre. 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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