

Dubai Appears on SA Radar Screens

More buying opportunities are opening up to South Africans in Dubai, as the government of the United Arab Emirates (UAE) state continues to tweak legislation to boost foreign investment in its rapidly expanding real estate market.

Developers have been quick on the uptake, pouring millions into new residential projects to satisfy the expected surge in demand for real estate among foreign investors, giving rise to claims that Dubai is currently home to 30% of the world's construction cranes.

Omar Khan, director of customer services centres at the Dubai Chamber of Commerce and Industry, told a group of SA journalists on a media trip to Dubai last month that some 270 000 new residential units are expected to come on stream in Dubai within the next three years. Prices for these units range roughly from R10 000/sq m right up to R100 000/sq m. Top-end apartments in some of Dubai's most iconic developments such as Palm Jumeirah, the man-made island in the shape of a date palm stretching into the Arabian Gulf, and the sky-scraper Burj Dubai, the tallest man-made structure in the world, are selling for as much as R260 000/sq m.

Khan says that in addition to the surge in residential development, 66 000 new hotel rooms will be added to the Dubai market over the next few years. That will bring the region's total hotel capacity to 100 000 rooms by 2015. Many of the latter will be sold to investors on a sectional title basis.

Khan argues that Dubai is an attractive investment destination for SA and other foreign property investors seeking a hedge against non-dollar currencies, as the local currency (UAE Dirham) is pegged to the US Dollar.

Property ownership opportunities only opened in Dubai as recently as March 2006 when freehold ownership was legalized for the first time for citizens of the UAE and other Gulf countries. At the time, foreigners were given permission to buy property in certain pre-designated developments. The 99-year lease agreement has until now been the most popular alternative to outright ownership.

However, Magdeldin Abdelgawat, consultant for the Dubai Department of Economic Development, says that further amendments to Dubai's real estate laws are currently under consideration to open up more investment opportunities to non-citizens.

Abdelgawat notes that the government of Dubai has singled out real estate as one of five key growth sectors that could help diversify Dubai's economy away from oil. The real estate and construction sectors combined already contribute around 24% to Dubai's Gross Domestic Product (GDP), while oil's contribution has shrunk from 80% in the early Nineties to only 6% today.

According to British based property group Knight Frank, prime house prices in Dubai rose 24% in 2007, placing it as the world's 10th fastest growing property market in terms of capital growth.