

Work in progress

TEMPTED BY DUBAI? THE GOVERNMENT THERE HAS RECENTLY TAKEN MEASURES TO ENCOURAGE FOREIGN BUYERS AND SAFEGUARD THEIR INVESTMENT. WE HEADED TO THE EMIRATE TO FIND OUT MORE...

WORDS **BERNADETTE COSTELLO** PICTURES **GETTY**



Dubai's rulers have given UK buyers a huge confidence boost by ensuring their money is now safer than ever in the emirate's property market.

Following a string of news headlines, highlighting the fact that some projects have started late and so suffered delays in completion, the government has introduced a new real-estate law. Effectively, it means

that developers must use the cash you pay them for off-plan property for that development alone – and not to bankroll other projects.

Dennis Phillips, a partner at Phillips International Lawyers, explains why this is good news for buyers. "Under Law 8, your money will be deposited in a special escrow account opened in an approved bank under the name of the property development. This will only be released to the developer once

key stages of construction have been reached," he says. "This is a welcome initiative if you are looking to buy in Dubai, either for lifestyle reasons or as a longer-term investment."

The government also ruled that the developer's project title deeds must be registered with its Land Department, while five per cent of the total escrow account must remain there for a year after the completion certificates are issued



and the units registered in the names of the buyers. In addition, sellers will now need a licence to sell property from the Dubai Land Department.

Ray Withers, head of Property Frontiers, a UK-based agent specialising in Dubai property, says: "The escrow law has wide-ranging implications in the Dubai property market. From property buyers and investors points of view, the off-plan market in Dubai has become more mature and therefore safer to enter."

Helen White, marketing director of Select Property, says: "When we introduced an escrow account in 2006, we did so because we realised the importance of security for our customers. Now that it has become a requirement for all developers, it clearly demonstrates that the market is maturing – which is undoubtedly a good thing for purchasers".

Many experts believe the new escrow law will help clamp down on large-scale investors who 'flip' property for short-term profits, forcing prices to escalate.

Developer Emaar, which is building the world's tallest tower – the Burj

Dubai – has noted that prices in Downtown Burj Dubai (its residential properties in the Burj district) have been known to rise by the hour because of the speed at which investors snap up swathes of off-plan freehold properties and sell them on for a large profit before completion.

Ray Withers at Property Frontiers says flipping, while not good for the long-term state of the market, is allowed: "The common practice is that buyers are entitled to flip a property during the off-plan period as long as the buyer obtains written consent from the developer or seller," he says.

However, government-backed developer Nakheel took matters into its own hands recently after its sales staff looked out of the window and saw investors had been camping overnight for the launch of its latest project Al Furjan – a new villa community 20 minutes' drive from its flagship development The Palm Jumeirah.

Nakheel's CEO Chris O'Donnell says: "At Al Furjan, there was a concerted effort to target the families who would actually be making the property their home. There's no doubt

“Property prices have been known to rise by the hour because investors snap up swathes of off-plan freehold properties and sell them on for a healthy profit before completion”

Facing page: Dubai is a huge work-in-progress, attracting increasing levels of foreign investment

Above: Sheikh Mohammed Bin Rashid Al Maktoum attends the launch of the 'Bawadi hotel chain

Below: the Cube, at Dubai Sports City



Investment insight

DUBAI

that we could have very quickly sold all of the 800 properties in the launch's first phase to investors, but we're looking at the bigger picture.

"We asked customers to provide their passport details in order to complete a pre-qualification process, and an appointment system was used. People were limited to buying a maximum of two villas."

That's not to say you can't make massive gains in Dubai, and there are properties changing hands eight or ten times before they're completed.

Early investors, who believed in the scale of Sheikh Mohammed bin Rashid Al Maktoum's 'Vision 2015', have just moved into their three-bed villas on The Palm Jumeirah and have seen their property value jump from £620,000 four years ago to around £4 million today; 80 per cent of residents are still the original buyers.

With the speedy building of Dubai continuing, and global giants such as Microsoft and CNN moving in, fears of a bubble market could not be further from most people's minds.

Though local newspapers reported apartment prices dipping last year, they have bounced back, while villas are in short demand and high-priced.

English workers in their 20s and



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30s complain that it's hard to find accommodation to rent, while buying is completely out of the question unless they purchase with friends. Four young British expats told *A Place in the Sun* they were jointly investing together in a £400,000 villa in Jumeirah Golf Estates – the up-market resort designed for Rosewood by top golfer Greg Norman.

The scale of development over the next two decades became very clear recently at Dubai's biggest property fair, Cityscape. Buyers will soon see a wide range of affordable – and some wackily-shaped – homes coming onto the market that will meet the needs of a population set to rise from one million people to four million over the next ten years.

New projects include IFA Hotels & Resorts' fractional ownership opportunities at Fairmont Heritage Place – a private residence club at the Kingdom of Sheba resort. This allows investors to purchase ten per cent of a freehold property and use it for 14 days a year.

Emaar promoted luxury apartments in Downtown Burj Dubai with prices starting from around AED1.7 million (£219,000) for one-bed apartments.

Nakheel's newly-launched Al Furjan, where hundreds of Brits have bought, will be situated near the world's largest themed mall and shopping destination, Ibn Battuta.

The developer has also just bought the QE2 – yes, the Queen's former flagship – and will be parking it next to Donald Trump's tower on The Palm Jumeirah. It will be turned into a floating hotel to accommodate any visiting friends and family.

The Lagoons, which is seven islands of residential and leisure resorts – including Dubai Opera House – is under construction by Sama Dubai. And developer Alshark Investments has launched Aqua Dunya, a family resort based inside the colossal £10 billion theme park of Dubailand. Conveniently located close to the new metro train line, it will comprise 2,600 freehold apartments.

As you gaze over Dubai's skyline, watching its 1,000 kilometres of coastline being slowly but surely developed, you can see the Sheikh's vision taking place before your own eyes and you realise that Dubai is one very big work in progress.

Hopefully, with the new escrow law and licensing obligations for sellers, the emirate is now a safer one for buyers, too – whether they be 20-something workers or investors with a bulging property portfolios. ☀

Above: building a car parking space for the QE2 – the view over Dubai's construction zone

CASE STUDY

My place in Dubai

Expats Susie and Jeremy Brinton bought a three-bedroom villa and were confident that their investment would be secure

"The emirate is mainly expatriate and this is set to increase over time with more properties offered to foreign investors," says Susie. "We feel safe investing in Dubai – Nakheel is a trusted name here. We bought a three-bedroom villa with a swimming pool at Nakheel's Jumeirah Park resort for AED3,000,000 (£391,000).

"It has been suggested that the price of the villa has increased by 15 per cent. I see prices balancing out once the supply of property is felt by the market in years to come," she says.

What's on offer...



In the heart of new Dubai

Price: three-beds from £492,228

What you get: Family homes in a community, with parks and amenities, five minutes south of Ibn Battuta, the world's largest themed shopping mall.

Contact: Nakheel: 00971 4390 3333: www.nakheel.com.



Dubai Sports World

Price: from £126,000

What you get: Five-star, hi-tech apartments in urban lake resort with five-star resort facilities. Next to Olympic and Sports stadia. Mortgages available at 70 per cent loan-to-value.

Contact: Property Frontiers: 01865 202700: www.propertyfrontiers.com.

