



## Downtown Burj Dubai as the Preferred Choice

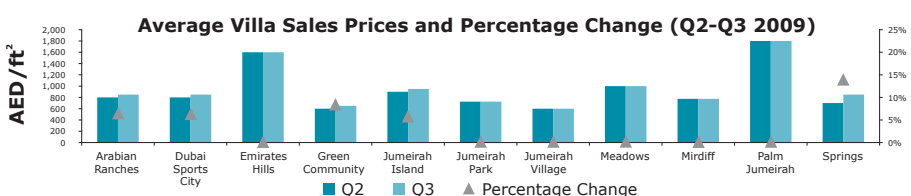
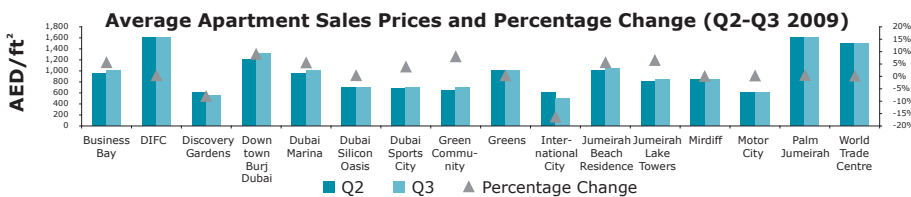
Apartment sales prices for completed projects in Downtown Burj Dubai have experienced the highest quarter-on-quarter increase of 8%, up from AED1,200 per square foot in Q2 to AED1,300 per square foot in Q3, thanks to the Dubai Mall, the Dubai Fountain and improved infrastructure in the locale. Situated as it is in the centre of Dubai, it is also a desirable community in which to rent and, therefore, a good investment for buyers. Jumeirah Beach Residence (JBR) has seen a 5% sales increase as a result of the continuous opening of retail units, gyms nearing completion, and strong interest in leasing from both Dubai and Abu Dhabi residents.

Both communities are fully established which is what buyers are currently seeking; a completed tower is no longer enough if it is not part of an integrated community with convenient access to schools, hospitals, transport, leisure and entertainment facilities.

In terms of villa communities, Springs and Arabian Ranches are faring well for the same reason as mentioned above with AED800 and AED850 per square foot respectively.

Transactions and enquiries have picked up in line with mortgage availability and those who could not afford to buy a unit at the peak of the market are now taking advantage of lower prices. Demand is predominantly for smaller units such as studios and one-bedroom apartments, or two- and three-bedroom villas or townhouses due to the price point.

Across Dubai, sales prices for apartments and villas have increased slightly with on average 1 and 3% respectively, compared with Q2 2009. It should be noted, however, that the increased interest in completed communities has resulted in landlords inflating their prices. In addition, the option to lease these units is making price negotiations less flexible as the need to sell to generate income is lower.



### HIGHLIGHTS IN THIS ISSUE

- Downtown Burj Dubai as the Preferred Choice p.1
- Nominal Changes in Residential Rental Rates p.2
- Al Maktoum International Airport p.5

Asteco is the largest property services company in the UAE. Asteco also has offices in Qatar, Bahrain and Jordan.

#### ASTECO'S SERVICES

- Sales and Leasing
- Property Management
- Investment Agency
- Valuation
- Market Research
- Property Consultancy
- Furnishing and Design

FOR ADDITIONAL INFORMATION, PLEASE CONTACT:

Judy Lam  
Regional Research Manager  
Email: JudyL@asteco.com

Jenny Weidling  
Senior Research Analyst  
Email: JennyW@asteco.com

Tel: +971 4 4037777  
Fax: +971 4 4037778

## Nominal Changes in Residential Rental Rates

Apartment and villa rental rates have seen minimal changes of -3 and 0% respectively. Currently, average rental rates in Dubai for studio apartments are AED44,000 per annum, whereas one-, two- and three-bedroom apartments command AED77,000, AED106,000 and AED145,000 respectively. Rates for studios and one-bedroom apartments are beginning to stabilise, whereas there is still room for further drops for larger units.

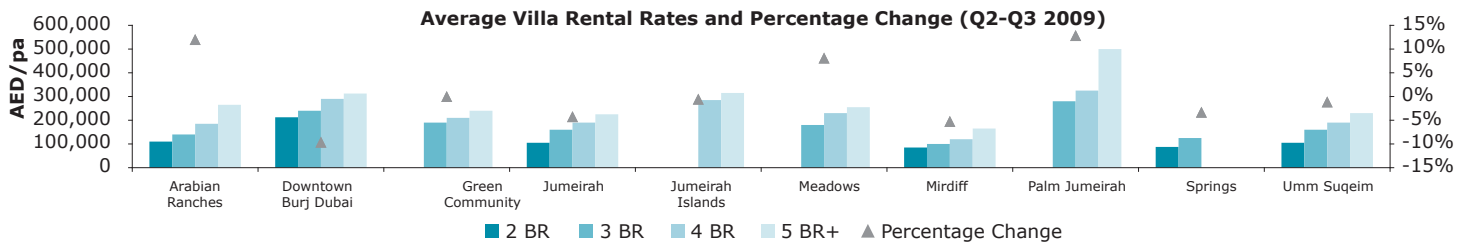
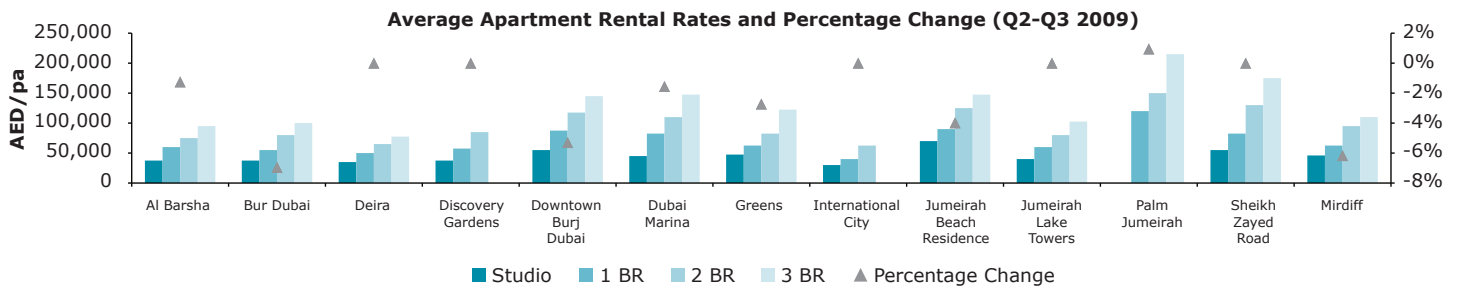
Villas and townhouses are available on average for AED117,500 for two bedrooms, AED180,500 for three, AED227,500 for four and AED278,500 for five-bedroom units respectively. The majority of enquiries are for Jumeirah and Umm Suqeim where tenants are looking for three-bedroom units between AED150,00 and AED180,000 per annum.

Communities alongside Sheikh Zayed Road are the preferred choice, whereas developments around Emirates Road suffer from the location

disadvantage. However, this is likely to change next year with the opening of Al Maktoum International Airport, the biggest airport in the world.

There has been a noticeable increase in activity in the leasing market prompting tenants to get better value for their money, either by decreased rents, increased property size, better quality specifications, better amenities and accessibility. Despite the Real Estate Regulatory Agency's (RERA) attempts to provide a rental index earlier this year, it is the above mentioned influences which are truly driving the current rental market activity.

In general, increased interest and rumours of economic recovery have caused some landlords to raise their rents. However, many of these units remain empty for several months due to a significant amount of supply, and increased competition.



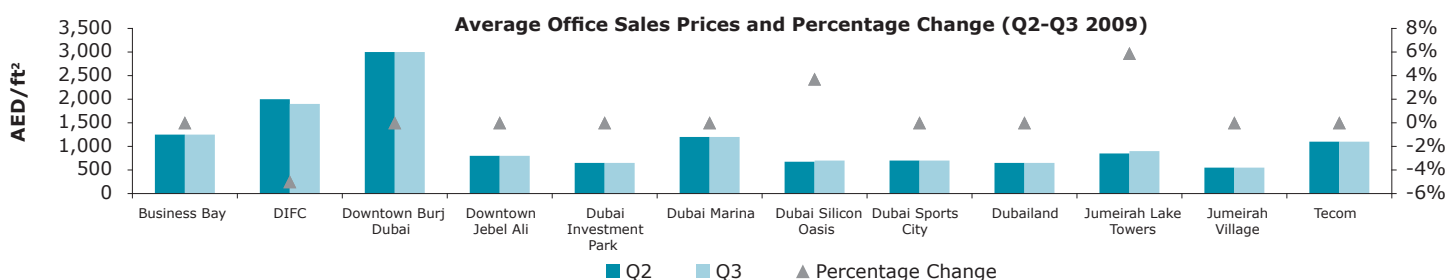
## No Change in Office Sales Prices

Office sales prices across Dubai have seen no change since the previous quarter, due primarily to the economic downturn and companies being uncertain about future developments. Companies are opting to lease due to decreasing rental rates and ease of exit. As a result, transaction and enquiry levels are lower than for apartments and villas. There is some interest in completed units ranging from 1,000 to 3,000 square feet and the decision process is extensive as all options are assessed carefully.

Office sales prices for Downtown Burj Dubai, namely Emaar Square, have held their value due to its prominent location, established development, accessible facilities and amenities and the limited number of completed offices in the surrounding developments.

Piecemeal developments such as Jumeirah Lake Towers, Jumeirah Village, and Downtown Jebel Ali are the most affordable office properties for sale due to the sheer numbers of offices available and under construction. Many of these developments do not have sufficient facilities and amenities yet to warrant sales values in line with values such as Emaar Square, for example.

The amount of office space that is expected to come on to the market over the next two years is likely to cause an oversupply scenario. Therefore, it is paramount for the government to create sound investment initiatives and bolster consumer confidence.



## Office Rental Rates Decline Further

An increase in the total office supply has helped to ease office rents by an average of 13% since Q2 2009. The rate at which rentals decreased, however, has slowed down. The fall in rents may help Dubai attract potential new tenants and increase leasing activity. In addition, tenants and landlords are working towards lease agreements of up to ten years, with regular reviews, to replace the current short lease terms. This will be beneficial to both parties as landlords can secure rental income for longer periods and tenants are able to spread up-front costs like fit-out over a number of years.

Dubai International Financial Centre (DIFC) is the only area that has seen positive change, with an increase of 6%. Rental rates range from AED350 per square foot per annum in private developments to AED500 per square foot per annum directly from DIFC. This is due to the fact that there are very few small units available as companies tend to lease long-term. In addition, the applicability of international laws attracts multinational companies.

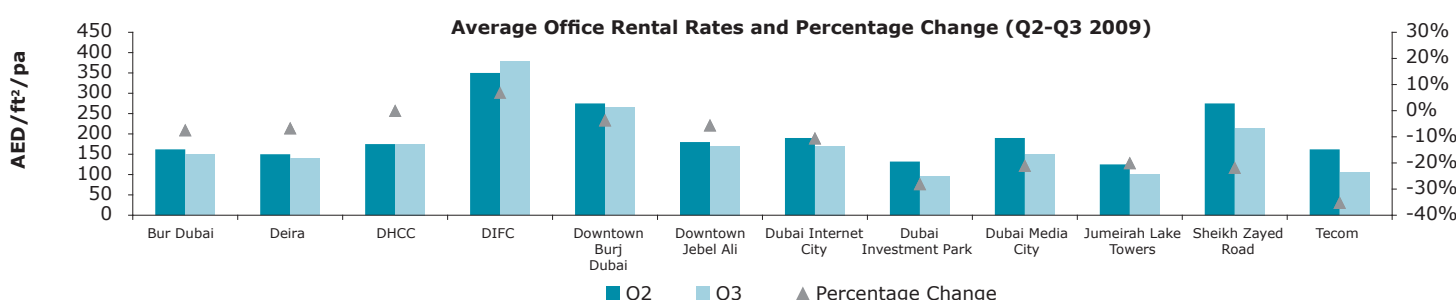
Rental rates in Dubai Healthcare City (DHCC) remain stable as the free zone caters to a specialist industry.

As is the case for apartments and villas, demand remains low for office units alongside Emirates Road. Other areas such as Tecom and Media City suffer from oversupply as many towers have been handed over in the last few months. However, the recently launched Dubai Metro is likely to have a positive effect on take-up in these areas, although it is too early to say to what extent. Deira will also become

increasingly popular with three Metro stations within a five square kilometre radius.

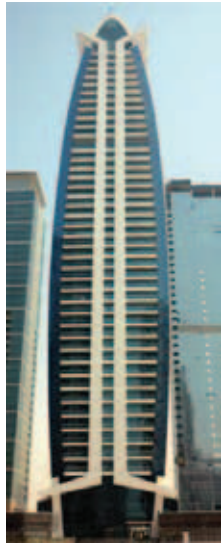
As a result of low rents and increased choice, Asteco has witnessed an increased number of existing companies branching out. The government has also taken steps to entice more company start-ups by choosing not to increase government fees and by making trade licence registration available on-line. The UAE became one of the world's 10 most active reformers following the recent government announcement that the minimum capital requirement for business start-ups has been eliminated and registration procedures simplified, according to a recent report by the International Finance Corporation and the World Bank. The expected passing of laws currently under consideration which could extend the entitlement to 100% foreign ownership may have a downward effect on rental rates in free zones and we are likely to see a greater level of parity between free zones and non-free zones. However, this is unlikely to have a major effect on in- and outflow as companies still benefit from simplified procedures as well as the availability of similar or supportive industries within the free zones.

Office supply will substantially increase over the next six months, with the majority located in new business areas such as Jumeirah Lakes Towers, Business Bay, Tecom and Dubai Silicon Oasis. With supply continuing to surpass demand, competition between landlords will tighten, resulting in greater incentives for tenants.



## Project Focus

Both towers detailed below are located at interchange five on Sheikh Zayed Road within the Jumeirah Lakes Towers (JLT) development - minutes away from Jebel Ali Free Zone, Dubai Media and Internet City, Dubai Marina and Ibn Battuta Mall. JLT is an integrated, contemporary community of residential, office and retail spaces offering a range of quality lifestyle elements such as shopping, lakeside promenades, restaurants and cafes.



### Tiffany Towers

Tiffany Towers is situated on plot W2, one of the most water-oriented plots, ensuring lake views from three sides of the building.

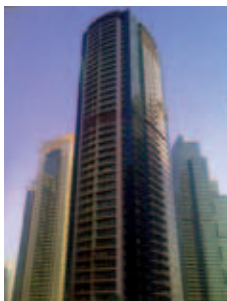
The tower consists of 41 floors of offices, retail space on the ground floor, a community floor with a fully-serviced business centre, prayer facilities, a food court, and a recreation deck with gymnasium, sauna, steam room and jacuzzi. The units are serviced by seven high-speed elevators.

Unit sizes range from 560 to 1,315 square feet with a full floor of approximately 12,500 square feet. There is one parking bay per office as well as ample general parking spaces. The lobby provides security facilities as well as valet parking and car rental services.

FACT FILE	
Developer:	Tiffany Realty Ltd
Launch:	August 2005
Gross Saleable Area:	426,800 ft <sup>2</sup>
Launch Sales Price:	From AED 750/ft <sup>2</sup>
Current Sales Price:	AED750-800/ft <sup>2</sup>
Current Rental Rate:	AED85-100/ft <sup>2</sup> /pa
Completion:	October 2009

#### Features

- Self contained offices with own washroom and pantry
- Large windows offer expansive panoramic views of the lakes, golf course or city skyline
- Cement screed floors with flush floor cable trunking
- High-speed internet connection
- Standard A/C ducting
- Finished, reflected ceiling with lighting



### V3 Tower

The V3 Tower is a high-rise 39-storey building located on plot V3 and offering one-, two- and three-bedroom apartments. It consists of three parking basements, a ground floor comprising 2,400 square feet of retail area, 37 residential floors (averaging 13,000 square feet each), a technical floor, and a rooftop health club/swimming pool. The residential area is divided into a total of 274 apartments including 152 one-, 108

two- and 14 three-bedroom apartments which are serviced by six high-speed passenger elevators and one service lift. Unit sizes range from 846 to 1,398 square feet for one-bedroom, from 1,398 to 1,697 square feet for two-bedroom and from 2,238 to 2,241 square feet for three-bedroom apartments.

FACT FILE	
Developer:	Sheikh Suroor Bin Mohamed Al Nahyan
Launch:	September 2005
Gross Saleable Area:	324,500 ft <sup>2</sup>
Launch Sales Price:	From AED635/ft <sup>2</sup>
Current Sales Price:	AED750-800/ft <sup>2</sup>
Proposed Rental Rate:	1 BR: 60,000-70,000 AED/pa 2 BR: 80,000-90,000 AED/pa 3 BR: 100,000-120,000 AED/pa
Completion:	November 2009

#### Features

- Secure underground parking facilities
- AV intercom to the reception desk
- CCTV monitoring and security access control
- Efficient, central, programmable HVAC system
- All areas fully equipped with sprinklers and smoke detectors
- Fully-equipped gymnasium (separate for men and women)
- Sauna and steam rooms (separate for men and women)
- Private, recessed entryways with accented ceilings
- Decorative ceiling-mounted light fixtures at doorways
- Entertainment and communications connections
- Solid-wood front doors
- Concrete floor structure and sound-insulated walls
- Granite multi-hued stone flooring
- Attractive open-concept layout
- Space-enhancing, high, clear ceilings
- Floor to ceiling, double-glazed window walls
- Private balcony with stunning views (most apartments)
- Views overlooking Jumeirah Lakes, Emirates Hills and golf course

# Al Maktoum International Airport

Al Maktoum International Airport (JXB), developed by Dubai Civil Aviation Authority, is located in the 140 square kilometres big Dubai World Central (DWC), an integrated logistics complex which includes residential and commercial components in Jebel Ali. Once completed, it will be the largest airport in the world, with capacity for 160 million passengers and 12 million tonnes of cargo per annum. The first phase - a nine million passenger terminal and one runway - is due to open in June 2010 (it had reached 80% completion by May 2009).

JXB will be located on a 5,500 hectare site and will include: three passenger terminals, five parallel runways, multiple concourses, 16 cargo terminals, executive and royal jet centres, support and maintenance facilities, hotels and shopping malls, and over 100,000 parking spaces. JXB and the existing Dubai International Airport (DIA) will be linked by a high-speed express rail system and will be served by the Dubai Metro and a dedicated DWC light railway.

Dubai Logistics City (DLC), a core component of DWC, has already begun licensing completed warehouses and logistics offices and is currently in the process of handing over facilities to tenants to commence on-site operations.

## Status

- Launched in 2004.
- Master plan was completed in 2006 and the first construction contract was awarded for the first runway package.
- In September 2006, the construction contract was awarded for the cargo terminal package.
- In February 2007, the construction contract was awarded for the passenger terminal and control tower.
- In Q4 2008, the first cargo terminal was completed.
- In April 2009, the number of runways was scaled down from six to five.
- In Q2 2009, the construction of the Air Traffic Control (ATC) tower was completed and is currently being fitted with all navigational aids.
- In mid-2010, the control tower, passenger terminal and first runway are expected to be completed.
- The project is expected to be fully completed by 2020.

Currently, over 100,000 travellers pass through Dubai International Airport on more than 800 flights daily, with a total of 40.5 million passengers projected for 2009. Around 130 airlines fly out of DIA to over 200 destinations worldwide - and that number is expected to increase. During the first quarter, Dubai Airports recorded a 2.1% growth in passenger traffic and this figure increased further to 6.5% in April and 7.1% in May.

DIA has a capacity for 60 million passengers which is expected to increase to 80 million with the completion of concourse three. With the completion of JXB, the capacity of both airports combined will reach 240 million.

Dubai is earmarked to become the ideal transit air hub for the Asia-Pacific Region, South Asia, Greater Middle East, Africa, Europe and Australia. Hotel occupancy levels in Dubai will also increase if more transit passengers are encouraged to break their journey in the emirate.



## Q3 2009 Highlights

### UAE Foreign Ownership Laws Revised

The Cabinet is considering raising the foreign ownership ceiling from the current 49%, a top official has stated. However, the increased level has not yet been confirmed.

“The law to allow 100% foreign investment is ready, but still under study and should be finalised within the next two months”.

### Dubai Metro Launch

On 09/09/09 at 09:09pm Dubai became the first Gulf state to have a metro system which is expected to generate up to AED17 billion within the next 10 years. Currently, only 10 stops are operational, with the remaining stations on the Red Line to be opened in phases over the coming months.

### Banks Increase Mortgages as Property Market Settles

Banks are steadily increasing their mortgage offerings as the property market reaches the bottom of the downturn.

Approximately AED8.7 billion worth of mortgages were given to buyers in the second quarter of the year, which was about AED1.4 billion more than in the first quarter, according to data from the market research company REIDIN.com. Already, the third quarter is shaping up to be even better, with AED9.5 billion worth of mortgages issued so far.

## Law Update

The following laws have been passed in the second and third quarter of 2009 relating to property within Dubai:

### Law No. (15) of 2009 Regulating the Hearing of Rental Disputes Arising in Free Zones (Passed on 14 June 2009):

Dubai has many free zones, each with jurisdiction over certain activities within it. With the exception of the Dubai International Financial Centre (DIFC), the free zones do not, however, have courts available to review rental and other disputes.

Article 1 of Law No. (15) provides that “the Rent Committee shall determine rental disputes arising between landlords and tenants of immovable property in the free zones of the emirate of Dubai.”

Article 2, however, states that the provisions of Article 1 do not apply in relation to the following:

- a. Rental disputes to which any of the free zone authorities in the emirate of Dubai is a party;
- b. Rental disputes arising within the free zones which are under the jurisdiction of special judicial committees or courts.

Article 3 states that the Rent Committee will only hear rent disputes not already determined prior to Law No. (15) coming into effect. Law No. (15) came into effect on the date it was published in the Official Gazette.

Accordingly, unless the dispute is within DIFC, it is likely to be heard by the Rent Committee. Law No. (15) of 2009 does not, however, make clear how a dispute should be determined where the property is within a free zone but the lease document contains an arbitration clause.

Leases with arbitration clauses in Dubai are excluded from the jurisdiction of the Rent Committee and it may be that the Rent Committee would consider arbitration in accordance with the arbitration clause if it was still the correct venue for determining any landlord or tenant dispute, notwithstanding that the property or dispute arises in a free zone.

### DED Signs Deal with Dubai Bank to Ease Payment of Licence Fees

The Dubai Department of Economic Development (DED) has signed a deal with Dubai Bank to facilitate electronic payment of trade licence fees.

This initiative is part of the efforts made to accelerate Dubai's economic growth by providing increased flexibility for investors and customers.

### Dubai Airports Projects 13.6% Passenger Growth in 2010

In September 2009, Dubai Airports released its updated traffic forecast for Dubai International Airport and Dubai World Central-Al Maktoum International projecting 13.6% growth in international passenger traffic in 2010.

Total passenger traffic is expected to reach 40.5 million by the end of 2009, and to top 46 million in 2010.

### Decree No. (22) of 2009 on Private Development Zones in the Emirate of Dubai (passed on 31 May 2009):

Decree No. (22) relates to the municipal type functions of the government-related master developers, free zones and other government corporations within Dubai.

The Decree relates to land within Private Development Zones being lands, compounds and areas owned by ports, customs and free zone corporations, and Dubai World companies such as Nakheel, Limitless, Dubai Maritime City, Istithmar and Dubai Multi Commodities Centre.

Article 2 provides that the ports, customs and free zone corporations shall be solely responsible for the following in the Private Development Zones:

- a. Supervising regulation of all matters related to infrastructure development and the provision of General Services;
- b. Issuing all types of licences within the Private Development Zones;
- c. Determining, evaluating, imposing, applying and collecting service fees and budgets and related matters pertaining to the General Services and licences.

General Services are defined as gas, water, energy, sewage treatment, wastewater and central cooling services provided to the Private Development Zones, and any additional services the Corporation provides to the Private Development Zones from time to time.

Article 3 creates some accountability on the part of the ports, customs and free zone corporations in assessing any service charges by providing that such charges will be coordinated with the Land Department and Real Estate Regulatory Authority.

*The above legal information is supplied courtesy of Al Tamimi & Company.*

# Mortgage Market Update

The mortgage market in Dubai has seen signs of improvement in the last two months, with banks gradually opening their doors to new applications. This suggests that their liquidity issues have been largely resolved, and that they feel the property market has stabilised. Loan to Value (LTV) ratios vary from 50% to 85%, but for a salaried borrower buying a completed property, it is now much easier to find a suitable lender.

The other good news is that mortgage interest rates have started to fall. Some banks are still charging 8.5% and above, but a couple of banks are now lending at below 7% for new borrowers. With the six-month EIBOR rate now down to 2.3% from a high of over 4.5% last year, those who still have an EIBOR-linked rate are enjoying rates of below 6% if they are lucky. These rates are still high when compared with those elsewhere in the world, but at least they make mortgages more affordable than they were in the first half of 2009.

LENDER (*)	CLIENT TYPE	MAX AGE	MAX LOAN	TERM	MAX LTV	MAX DBR	INTEREST RATE	MIN SALARY	INSURANCE	PROCESSING FEE	EARLY REPAYMENT	CLOSURE
		Yrs	(AED million)	Yrs	%	%	%	(AED/pm)		%	%	%
<b>ADCB</b>	Abu Dhabi, Dubai, Sharjah, Ajman	70	10	25	<90 with salary transfer in Abu Dhabi; <85 with salary transfer in Dubai	55	8-9.75	8,000	Not Mandatory	1 (no caps)	<2 (No fee after 5 years)	<2 (No fee after 5 years)
<b>ABU DHABI FINANCE</b>	Abu Dhabi	70	No Limit	30	<85	<55	8.5-9.1	10,000	Mandatory	0.75-1	<3 (No fee after 3 years)	<3 (No fee after 3 years)
<b>DUBAI ISLAMIC BANK</b>	Dubai	65	10	25	<80	<60	Salary segment 6.85, Self-Employed 7.75	8,000	Mandatory	1.25 (Capped at AED 25,000)	<2	<3
<b>HSBC BANK</b>	Dubai, RAK	65	10	25	<75	<60	8.5-9.5	25,000	Mandatory	1 (min. AED 5,000) *can be added to loan*	3 if TF to lender (AED 2,500 own funds)	Free min. AED 25,000
<b>LLOYDS TSB BANK</b>	Dubai, RAK	70	No Limit	15	<50 (completed villa only)	<40	8.5	12,000	Mandatory	1 (no caps)	None	None
<b>MASHREQ BANK</b>	Dubai, Abu Dhabi	70	10	20	<75 in Dubai <80 in Abu Dhabi	<55	7.49-8.5	9,000	Mandatory	0.5-1 (Capped at AED 25,000)	<1 (No fee after 2 years)	3 if TF to lender (No fee after 2 years)
<b>SCB</b>	Dubai, Abu Dhabi	70	10	25	75	<60	6.75	8,000	Mandatory	1	2	2 (5 if buyout)
<b>RAKBANK</b>	Dubai, Abu Dhabi	65	No Limit	25	<80	<58	7.99-10.3	10,000	Mandatory	0.5-1.25	1 of own fund	1 (5 if TF to lender)

## Note:

- (\*) The above Lenders reserve the right to change their product policy, fees and charges, interest rates and other credit scoring criteria at any time without prior notice.
- Banks will generally only finance properties from developers on their approved lists.

John Charcol Dubai is an independent mortgage broker based in Dubai. For queries or assistance in relation to mortgages, contact John Charcol's sales team in Dubai on 800 CHARCOL (+971 4 329 7011 if dialling from outside the UAE), or by email to [dubaienquiries@johncharcol.com](mailto:dubaienquiries@johncharcol.com).



Mortgage interest rates  
have started to fall ...

# UAE Residential Comparison

The graphs below show the current average rental rates (in AED'000) for apartments and the percentage change in rental rates over the last three months for the different units across the emirates.



DISCLAIMER: This report contains information available to the public and has been relied upon by Asteco Property Management on the basis that it is accurate and complete. Asteco Property Management accepts no responsibility if this should prove not to be the case. No warranty or representation, expressed or implied, is made to the accuracy or completeness of the information contained herein, and same is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions imposed by our principals. Asteco will not be held responsible for third-party contributions.