

Real estate market is slowly waking up

Rents in Palm Jumeirah, Springs rose slightly in 2010, office rents remain low due to oversupply

- By Nicole Walter, Senior Reporter
- Published: 00:00 April 13, 2010



Dubai: Good news for real estate. The market hit bottom in March last year and since then it has been slowly stabilising, except for office space, according to Asteco's latest report.

Rents on the Palm Jumeirah and The Springs even rose slightly, by 5 and 2 per cent, respectively, in the first quarter of this year. These two areas also witnessed the most sales transactions, thanks to better pricing and mortgage availability, the report shows.

Villa rents haven't changed much since the previous quarter with some areas reporting only a slight increase or drop. Established locations, such as Emirates Living and Jumeirah, got the thumbs up.

"Over the past 25 years we have seen various peaks and troughs in the property market with an overall incredible growth in the region. The only constant is change and the positive upturn after every decline," said Elaine Jones, CEO of Asteco Property Management.

Despite the demand for communities with easy access to Abu Dhabi, such as The Green Community and Arabian Ranches, increased availability has pushed rents down slightly. It's a similar story in Mirdif.

"Rents are stable in desired locations, such as the Arabian Ranches and The Springs," said Helen Tatham, managing partner at Dubai Luxury Homes.

On the apartment side, rents are still sliding by about 5 per cent bar some sought-after locations like Downtown Dubai and The Palm Jumeirah where rents are up by 2 per cent, according to Asteco.

However, those trying to rent out their brand new property may beg to differ. "I have been trying to rent my apartment in the Lofts for three months now and had to lower the rent by Dh30,000 and it is still not going," said Elena, a Spanish investor.

However, this may have to do with the fact that it is a new building where hundreds of units came on-line at the same time.

"Apartments in newly handed over areas, like the Marina quays come in at 100 units plus. This means that the landlord has to be competitive to be able to rent or sell. We are leasing quite a bit in Executive Towers and Marina Residence," Tatham said.

Apartment rents, according to any expert in the industry, are expected to come under pressure as more supply comes on-line. According to Asteco, Discovery Gardens, Dubai Marina and Jumeirah Lakes Towers could be worst hit.

Sales are on the up on the residential side in established communities, although buyers are looking for the affordable with a higher demand for smaller villas. "There is still a gap between asking prices and what buyers are willing to pay," said Jones.

Office demand

The search for affordability has resulted in Jumeirah Lakes Towers, Discovery Gardens and International City witnessing increased transaction activity and enquiries, thanks to lower prices. According to propertyfinder.ae, the most viewed areas in terms of buyer and tenant interest are Dubai Marina, JLT and Palm Jumeirah.

Appetite for offices, however, remains subdued and office rents continue to slide on average by 7 per cent. The report attributes this to increased supply in the DIFC, JLT and Tecom. Inquiries focus on small to medium units from 1,500 to 5,000 square feet.

Preference has now changed to fitted offices. As more offices come to the market and prices drop even further, many companies are likely to upgrade. Sales prices have dropped by 10 per cent since April 2009.

The report points out that some units have been sold in JLT, but more in Tecom. Business Bay has issues because of the ongoing construction in the area.

Interestingly, developers are responding to changed market conditions, seeking to convert commercial developments into mixed-used projects in free zones, according to the report.

"Some are looking at offering fewer offices and more residential or fewer residential and more serviced apartments. Either way, developers have started to move away from quick profits through off-plan selling to a long-term view of retaining the asset and leasing it out," Jones said.

It really depends on the location and what is planned for it, she explained