Forbes Middle East

Governments Roll Out Reforms To Boost Real Estate

Across the GCC, authorities are rolling out path-breaking reforms to calm the storm looming over real estate.

As clouds hover over the GCC's real estate sector, long considered a beacon of growth, governments in the region are adopting a proactive approach to ward off the challenge. As they unveil a slew of steps to boost real estate and consumer sentiment, there is renewed hope of lasting recovery and unhindered growth.

From path-breaking residency laws to aggressive socio-economic reforms, GCC countries are rolling out measures that will also challenge developers to bring about profound changes. The caution of the past couple of years has started to give way to restored confidence as oil prices stabilize, governments' diversification efforts continue to take shape and global investors return to the region.

While developers in Dubai welcome the new 10-year visa for residents, Riyadh too has pushed through path-breaking reforms, including a $64 billion Entertainment City project, and a lifting of the cinema ban as part of Saudi Arabia's ambitious Vision 2030.

Investor Confidence

Praising recent visa reform by the U.A.E. government that grants 10-year residency to investors, and allows them to own 100% of their shareholding in Dubai mainland, Atif Rahman, Director and Partner at Danube Properties, said he expects a solid flow of foreign investment as the changes boost investor confidence.

"The market has drawn significant investment this year and Dubai now ranks sixth-highest for inbound property investment," said Rahman. "Regardless of a temporary softening of the market, we have the best infrastructure backed by the strongest regulatory systems. This will help the market sustain in the long run."

"The relaxation of visa regulations, opening up company ownership up to 100% to foreigners and reduction of fees will help boost the investor confidence in Dubai," agrees Prabhakar R. Rao, MD of Gemini Property Development.

Confirming a positive trend, a report by the Dubai Land Department (DLD) recently revealed that real estate transactions in Dubai for H1 2018 were worth $30.1 billion, down by 16% compared to $35.6 billion in H1 2017. Of this there were a reported 18,191 property sales worth a total of $10.8 billion, 7,668 mortgage transactions worth over $15.6 billion, and 1,783 other transactions valued at $3.6 billion.

Emirati investors ranked first, in both the number and value of transactions, with 2,986 transactions worth $1.8 billion. Indian nationals came in second, with 3,218 transactions worth $1.6 billion. This was followed by Saudis with investments worth almost $1 billion through 1,415 transactions. However, investors from the EU and the U.S. outstripped all others in capital investments, at $5.7 billion and $3.9 billion respectively.

Investors Eye Market Rebound

In Egypt, the push by the government to lure in foreign investment has helped further boost the country's real estate market. The Egypt Property Show, held in Dubai in April 2018, reported a sharp increase in property sales to $110 million—double 2017's total. Property Finder Egypt also reported a spike in the number of listings on its portal in Q1 2018, with registered properties increasing 133% year-on-year, from 46,528 in 2017 to 108,571.

In March 2018, Bahrain launched its Real Estate Regulatory Authority to monitor and drive growth in real estate by focusing on licensing real estate service providers. Real estate developers are optimistic that the regulator's presence will boost investor sentiment, which has been hurt by reports of rogue agents working illegally.

Elsewhere, Qatar announced in March 2018 a new draft law on 100% ownership for foreign investors, which still awaits legislative approval. The draft law says that non-Qataris may own properties. The law applies to land space, buildings and residential units. With the 2022 FIFA World Cup project also boosting the country's construction sector, the draft law has drawn applause from financial experts.

Showcase projects

Throughout the GCC, groundbreaking real estate projects are now making strong progress, with many showcasing world-class architectural innovations.

The Heart of Europe in Dubai is an iconic collection of private and resort islands, located 4km off the coast of Dubai. It is the world's only island destination that brings together European designs, heritage and hospitality. It is made up of six islands: main Europe, Monaco, Germany, Sweden, Switzerland and St. Petersburg. The islands span six million square feet and will be able to accommodate up to 16,000 people at any one time. All six islands will be connected via bridges and will be accessible by boat, seaplane and helicopter. The project will set a new benchmark for sustainability and innovation—incorporating green features, solar power and state-of-the-art technology. There will be no traditional fuel vehicles permitted on the islands to create the perfect island experience. The first property on the Heart of Europe project is expected to be ready for handover by the end of 2018.

The world's largest mega-mall, Dubai Square in Dubai Creek Harbour, will boast over 8 million square feet of retail space. The architects of this tech-driven mega-mall have drawn their inspiration from some of the world's most popular retail destinations, including London's Oxford Street, Los Angeles's Beverly Hills, Paris' Champs-Élysées, and Madrid's Plaza Mayor and Tokyo's Ginza. The total Dubai Square investment, including retail, hospitality and residential, is estimated at $5.5 billion. However, there is no deadline yet announced for its opening.

Kuwait's $86 billion Silk City, a 250km marine-front development, is aimed to position Kuwait as a tourism investment destination as it is developed over a 25-year period. For this, Kuwait is focusing on developers to attract foreign investors. The Silk City will be connected to Kuwait City via the Jaber Causeway, estimated to cost $2.4 billion, which is still under construction. The main architectural attraction of the Silk City is Mubarak Al-Kabeer tower, which will stand at 1001 meters, and is going to comprise 234 floors with the capacity to house 7,000 people. The tower will consist of seven vertical villages that include hotels, residences and offices as well as entertainment amenities.

Saudi Arabia's Neom, a $500 billion "city of the future" project, is expected to be a showcase of a "post-industrial" lifestyle. The first phase of the giant project includes a bridge spanning the Red Sea, connecting the proposed city with Egypt and the rest of Africa. The project is expected to start taking shape in 2020. A number of hotels are already under consideration in the area.

While planners in the Middle East are looking at the growing role of sustainability and technology in property, the spate of path-breaking measures announced by the region's governments is buoying up the market, cheering consumer sentiment and arousing renewed interest of buyers.

Given the regional governments' long-term strategies, economic diversification efforts and new projects and construction in other sectors such as tourism and hospitality across the GCC, there are strong signs that the region's real estate market is on a recovery path.

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