

## Northern Lights

There is a slowdown afoot in the northern emirates. According to real estate agency Cluttons, rents in Sharjah in the first quarter of this year were down by more than 8% year-on-year. That followed a 2.4% fall in the 12 months to December 2015. The drop at the start of this year was steepest in villa rental prices, which are down 9.6% over the past 12 months, while apartment rents fell by 7.7% over the same period. The real estate firm expects rental costs to drop a further 3-5% over the course of this year.

Yet, despite this weak outlook, significant new developments are still going ahead, both in Sharjah and beyond. In fact, some of the most ambitious real estate schemes the northern emirates have ever seen are currently being pursued.

In Umm al Quwain, Dubai-based Sobha Group is developing the Firdous Sobha scheme, a mixed-use island development that will have villas, apartments, hotels, shops and leisure facilities with a total value of around \$6.8 billion. The scheme was announced in late April and will cover 4.9 square km.

Further north, in Ras al Khaimah, there are two major schemes underway. Al Marjan Island, a man-made archipelago stretching 4.5km out to sea, will be home to more than 20 hotels and resorts with the capacity to host up to 20,000 guests once completed, including properties from Anantara, Crowne Plaza and Marriott.

Elsewhere in the emirate, the local Al-Hamra Real Estate Development is working on its \$272 million Falcon Island project, which will contain 150 villas and a marina on an island divided in two by a central canal. The larger Al Hamra Village scheme, which the island is part of, covers 77 million square feet and includes more than 1,000 villas and townhouses and nearly 2,500 apartments as well as five hotels, a golf course and a shopping mall.

Meanwhile, in Sharjah itself new developments are also under construction, such as the \$654 million Tilal City gated residential scheme, which is open to foreign buyers and will be house up to 65,000 residents once complete. The project is being developed by Tilal Properties, a joint venture between Sharjah Asset Management and Eskan Real Estate Developments. The first plots of land are due to be handed over before the end of this year, with a second phase of plots to be handed over in December 2017.

Collectively, these projects add up to a big bet on the future potential of the northern emirates. Overall, there are more than \$6.5 billion worth of construction projects planned or underway in the five northern emirates and a further \$1.8 billion worth of hospitality projects, according to Dubai-based MEED Projects, which tracks such activity around the region.

The motivation for many of the larger schemes is a desire to inject some life into the local commercial and tourism industries by attracting more outside investment. The individual emirates themselves are certainly not large enough to support these developments on their own. The latest census for Ras al Khaimah, for example, which was carried out in 2015,

showed it had a population of 345,000 people, almost 100,000 lower than previous estimates. Credit ratings agency Fitch Ratings noted in a report released in early May that “Hotel capacity is set to increase 50% over the next three years and a key challenge will be to develop Ras al Khaimah as a destination to capitalise on the planned new capacity.”

Tourism is a key element for the residential units being built as well. Given the distance from the main cities and the small size of the local economies, many potential buyers will be the sort of people who look to the northern emirates as a leisure destination rather than a place to live and work full-time. “People are going to the northern emirates, but more for holidays or weekends away from Dubai or Abu Dhabi,” says Suzanne Eveleigh, head of Sharjah at Cluttons. “People aren’t buying in terms of moving and living there, they’re buying property as a holiday home.”

The northern emirates do have some factors in their favour as they try to attract international money and visitors. In particular, the relatively low cost of property compared to the big cities of Dubai and Abu Dhabi is one element that they can exploit. Sharjah is well placed in this regard, being closest to the bigger cities and having long acted as a dormitory town for Dubai. The price differential is certainly large at the moment. A three-bedroom villa in Sharjah costs around \$24,500 a year to rent, compared to anywhere between \$32,600 and \$92,500 in Dubai, according to Cluttons.

The other emirates further north also have an eye on the potential and are keen to stress how simple the process of buying property can be. “It’s very easy for foreigners to buy property in Ras al Khaimah. It’s become quite attractive because the price of property is a lot lower than comparable properties in Dubai or the other emirates,” says Haitham Mattar, chief executive officer of the Ras al Khaimah Tourism Development Authority. “You can still buy a property that is on the beach front or sea-facing at a fraction of the price that you’d pay in the other emirates.”

Mattar says that the two key source markets for those buying in Ras al Khaimah are the U.K. and Asia. For some of these buyers it’s simply a matter of investment, with the property being rented out thereafter, but others are more interested in buying a relatively cheap holiday home.

Yet alongside all these grand schemes, there is also a shortage of affordable housing for local buyers, many of whom cannot afford the prices attached to villas and apartments in the new high-end developments. In late February, Sheikh Mohammed bin Rashid al Maktoum, vice-president and prime minister of the U.A.E., visited the east coast of the country and approved \$1.9 billion worth of infrastructure projects being planned by the Ministry of Infrastructure Development. The schemes will be developed across the northern emirates and include a substantial investment in housing. Some \$1.3 billion of the total will be put into 12 compounds over the coming five years, providing homes for 42,000 people.

“Housing is an essential service and is every citizen’s right and a priority for the government,” he said at the time. These days it’s also a priority for a lot of developers in the northern emirates, even if they are targeting a different set of buyers.

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