



Rental revisited



By Helen Tatham
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Just as it has largely been a sellers' market for the last few years in Dubai, it has also been a landlords' market. To a large extent the shortage of completed property and rapid growth in the population has led to landlords being able to dictate and change the basis under which they rent their properties. This month we take a look at some of the changes in the market and how these are affecting landlords and tenants.

An estimated 40,000 new units were expected to be delivered in 2007 and many market commentators understandably predicted that this increase in supply would have a negative effect on rental prices. There were many articles written arguing whether or not this supply would be met by sufficient demand and when the market may hit a situation of over supply. Definite figures are hard to come by, so it was always difficult to accurately predict the result. Other contributing factors, such as the implementation of the law stopping bachelors from living in villas, further alters the supply and demand equation. A recent report suggested that, in fact, of the properties set for completion, only 14,000 will be handed over and so far, at least, it seems that there is sufficient demand for these units.

Numerous market analysts expected that the delivery of several thousand Jumeirah Beach Residence apartments would drive down rental prices in other areas. We are yet to see the full impact of these properties hitting the market, as a good number of owners are still to receive

their keys. We are currently seeing JBR landlords dropping rents in order to attract tenants, which is understandable, however, a number of potential tenants are choosing the Marina apartments over JBR. Comparable sized properties can be as much as 25 per cent different in price but the surrounding areas and facilities of JBR are, at the moment, yet to be completed and the quality of finish in the apartments is below that found in a number of the apartments in the Marina.

Our rental division continues to report a strong demand for properties in the better known areas of Dubai Marina, Jumeirah, Umm Sequim and Downtown Dubai. Rents have generally continued to increase, stretching housing allowances of even the most generous of employers. In many cases the allowance awarded is now insufficient to meet the rents being charged by landlords. This is forcing expatriate residents to consider their options. Some are leaving and, although not entirely to blame, the huge increase in housing costs is often cited as a major contributing factor. A number of our tenants are supplementing their housing allowances from their salaries. The old method of paying rent in one cheque remains the most common and this greatly adds to affordability issues, especially with those paying for their own property. Some landlords are accepting up to three cheques in payment of the rent, however very often prices are increased as a part of the deal.

Achieving a good rental yield on one's property investment is for most investors of prime importance. Consideration however needs to be given to maintaining the value of the property and this can only be done with professional management. Julia Curran previously managed commercial and residential properties in Sydney before joining Dubai Luxury Homes, she commented, "In many property markets around the world it is usual to appoint a property manager when signing a lease agreement. In Dubai however, investors were initially reluctant to do so, often through an unwillingness to pay any fees and to a certain extent because the market was such that this was not felt to be a necessity. As the market matures and landlords start to realize the difficulty of managing their own property at a distance, the number of

people requesting our management services continues to increase."

It also appears that tenants are starting to ask more about private landlords, particularly where they are based. There is a definite preference for properties that have managers appointed. Not only can potential issues with the property be addressed much quicker throughout the tenancy but using these professional services is a good indication that the landlord actually cares about their property and not just about the income.

In today's market landlords are asking for larger security deposits in order to protect their investments. A deposit of AED 5,000 for an apartment and AED 10,000 for a villa was typical but most are now asking for five

per cent of the rental price. Paying this deposit to a professional property manager rather than direct to the landlord protects both parties and helps to minimize the chance of disputes at a later stage. The simplest way of achieving this is to ensure that a proper inventory report is conducted at the beginning and end of the tenancy. This is regular practice in Dubai where the properties are owned by local families and businesses and is now becoming more common place amongst individual private investors. In fact many of these people are going a step further and are also appointing property managers to 'snag' and manage the rectification of defects in their new properties.

The newly formed Real Estate Regulatory Authority aims to bring a much needed structure to the industry, including the rental market. Standardization of processes and documentation should help all those with interests in Dubai property and bring greater confidence in the market as a whole. Legislation to protect landlords and tenants is already in place and there is a lot more to come over the coming months. At a recent presentation by the head of this government department it was clear that they are committed to policing the real estate industry from all sides. Whilst welcomed by all who are keen to see the clamp down on the unethical and illegal operators in Dubai, the size of the task cannot be underestimated.



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