

Dubai Property Market continues to profit from high demand

- **Development of the entire region due to increased demand**

Hamburg, 31st July 2007. The development of Dubai as the centre for finance, service provision, trade and tourism in the Arab world continues unabated. The demand for all types of property, including both residential and commercial real estate, is also still undergoing an upward trend. These are some of the findings of the latest market report carried out by the five Engel & Völkers offices operating in Dubai. “The market for apartments, villas and office space is experiencing healthy and attractive growth,” commented Christof Birkhofer, who is responsible for the development of Engel & Völkers in the Middle East. “The capital gains like those witnessed in 2004 and 2005, where new property was increasing in value by over 100% even before it had been completed, can no longer be reckoned with however,” he added.

Sustained growth throughout the entire region forms the foundation for this steadfast upward trend. According to various recent surveys, the population of the Emirate Dubai alone will grow to around 2 million by 2012. 1.4 million people already live in Dubai. Meanwhile, tourist numbers are also increasing at a considerable rate. In 2015, over 15 million people are expected to visit Dubai every year. With numerous large-scale plans to enhance the regional infrastructure, the development of Dubai will enter into a new advanced stage over the next few years in order to meet this growing demand.

The completion of the Emirate’s second airport, Jebel Ali International Airport, situated just 40 km from the existing Dubai International Airport, means that the United Arab Emirates will soon boast the world’s largest airport. The forecast continuation of strong growth in visitor numbers and residents is also reflected in the largest investment made by the Arab airline, Emirates Airlines, with their order of 55 new Airbus A 380 aircraft – constituting a third of the worldwide contract volume. Moreover, there are plans to improve the road system throughout the entire region and to construct a metro network.

In addition to the high level of demand for all types of real estate, the limitation measure introduced by the government, whereby foreign investors may only acquire specific, so-called “freehold zone” property, remains in place. Comparatively, this market available to foreign investors in Dubai is very small. There are currently around 240,000 properties in Dubai – of which only 40,000 are situated in “freehold” zones. In recent years, this limitation has led to an almost explosive increase in prices. In order to counter these effects, apartment leasehold prices may now only be increased by a maximum of 7% annually, since the introduction of new legislation at the beginning of 2007. Currently, the prices for residential property fluctuate according to location and interior facilities between 1,760 and 2,930 US dollars per square metre. The majority of foreign investors are based in Russia and Iran, as well as other Gulf states. European demand is registered above all in the UK and Germany.

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On the market for office space, the continuously increasing trend for companies from all over the world to relocate to Dubai is resulting in a sharp rise in demand. Business life has expanded into new areas, due to the fact that the supply in the regions available could no longer meet the demand. Nowadays, the area around the Sheikh Zayed Road and the Emirates Towers marks the beginning of the new business quarter in Dubai. Like apartment leasehold prices, office leasehold prices have also doubled in the past two years. These currently range, depending on location and facilities available, from between 40 and 55 US dollars per square metre and month. In the very best locations, leaseholds can reach up to 60 – 74 US dollars per square metre. The purchase prices for office real estate currently range from between 3,660 and 4,390 dollars and can even reach up to 5,860 dollars per square metre at the very top end of the market.

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