

# Oman property market **update**

March 2010



**Cluttons adapting to changing climates**

## Oman



### **Business Today best brands**

Cluttons was voted Oman's best real estate agency brand, narrowly missing out on the overall best real estate brand in the Business Today Best Brands Survey December 2009. The real estate category was introduced in 2009 and highlights the ever-increasing importance of the real estate sector in the country.

### **Opening of our new residential sales centre in the SABCO Centre, Qurum**

Cluttons is delighted to announce it has opened a residential sales centre on the first floor of the SABCO Centre in Qurum. The sales centre will handle both sales in the local market and sales of properties in Integrated Tourism Complexes, which can be purchased by all nationalities. Our staff at the sales centre can be contacted by telephone on +968 99 212 977 or by email at sales@om.cluttons.com. The sales centre is open from 10am to 10pm Saturday to Thursday, and 5pm to 10pm on Friday.

### **Update on Integrated Tourism Complex visas**

The Ministry of Tourism has now clarified that when an owner of a property within a designated Integrated Tourism Complex (ITC) has the title deed of a property transferred into their name, that this entitles them and their direct family to a two year, renewable residence visa. It is reported that the Ministry has processed the papers for at least 12 ITC property owners and forwarded them to the Royal Oman Police who will perform the administration for passports and residency.

The visa is linked to the property and would terminate if the property is sold. The visa is issued without need of any sponsor and the Ministry is providing assistance by means of a special form to help with getting medical care, employing household staff, opening a bank account, buying a car, etc.

The fact that visas are now being issued should further increase the attraction of purchasing a property in an ITC.

### **Reduced tax rates for foreign company branches**

At the start of the year, a new corporate tax law was introduced for all companies operating in Oman, reducing the level of tax payable to 12% on any profit over RO 30,000 per annum. Previously, branches of foreign companies were taxed at up to 30%. This change reflects a clear drive to reduce the restrictions on foreign companies looking to operate in Oman and should provide a welcome additional incentive for foreign companies to invest in the Sultanate.

### **Open house at The Wave**

Cluttons held a successful open house at The Wave to view a villa for sale. Over 40 people visited and we hope to hold similar events in the future.

### **Capital Commercial Centre - Qurum**

Clutton's Oman has taken over the management of Capital Commercial Centre(CCC), adding the retail development to their expanding management portfolio. Cluttons is committed and focused on the community and customers for whom CCC has provided a family shopping and entertainment destination for 22 years.



## Consultancy services

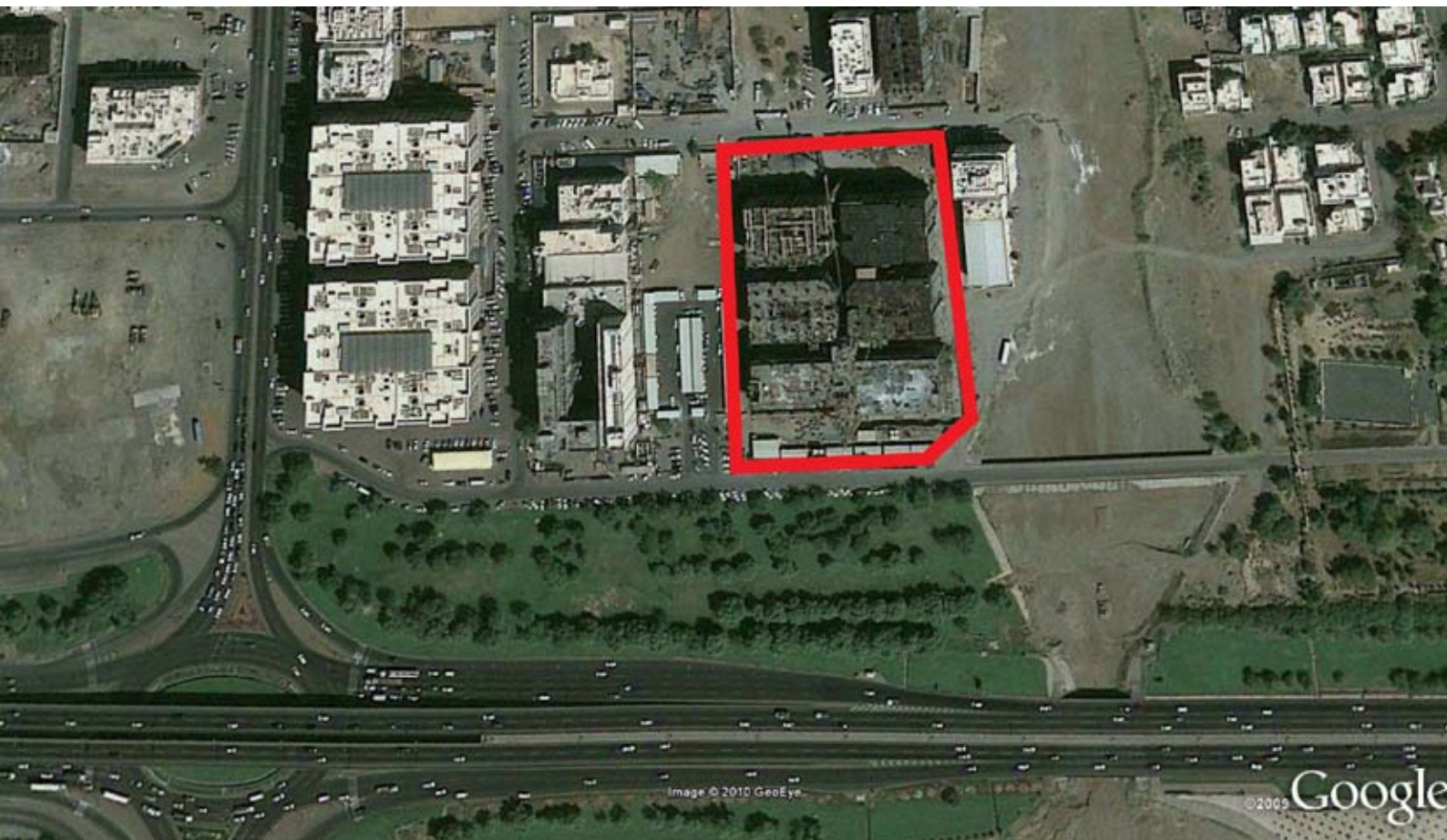
Cluttons has been active in the region for more than 30 years and is one of the leading real estate consultants in the Middle East. We have considerable market knowledge and experience gained from our long association with the region and are able to provide expert consultancy on all aspects of real estate.

While Cluttons has been instrumental in advising on and helping to shape many significant developments in the region, our consultancy services add value to all real estate projects from major, master-planned schemes to individual buildings. Our services are tailored to suit the client's exact requirements.

We can provide expert advice on valuations, market research, feasibility studies and development consultancy. Recent assignments include:

- real estate market analysis for Oman Airports Management Company on the multi-billion dollar project to expand Muscat International Airport;
- research project on the different plot areas and land uses at Ghala Industrial Estate;
- market research report advising a client on the commercial office space trends in Muscat;
- relocation strategy to advise on the best location in the Muscat area for new headquarters for a major corporation;
- feasibility study and development consultancy on the proposed redevelopment of a residential plot in central Muscat; and
- feasibility study for a proposed Integrated Tourism Complex.

By using our expert advice from the inception of a project we can help our clients to maximise the value of their assets and produce the best development possible.



## Oman



### Residential lettings

At the moment the residential leasing market appears to have levelled out. Prices are stable in central areas with outlying areas experiencing a little more fluctuation. Average prices are still lower than at the end of 2008 when the market was at its highest. There is still uncertainty in the market and Cluttons expects many landlords in the year ahead to continue holding out for higher rents whilst tenants will be seeking lower rents to obtain better value for money.

There is still a shortage of good quality villas in central areas and many of the older villas have been very poorly maintained. Medinat Sultan Qaboos has had considerable redevelopment over the last year with many old villas being replaced by apartments or villa compounds. Similar changes have occurred in Qurum with new townhouses and villa compounds in the area being particularly popular.

The Wave has set the benchmark for quality in the residential market and has proved to be a popular leasing option. Recent releases of new properties mean that rates have remained competitive and tenants are able to negotiate a good deal.

More outlying areas such as Al Hail and Al Mawaleh continue to grow in popularity. These areas now have many good quality, new twin villas along with a good selection of larger villas. Both areas offer excellent value for money.

### Residential sales

After significant falls in value in late 2008 and early 2009, prices for freehold residential properties on established developments such as The Wave, Muscat Hills and Barr Al Jissah began to stabilise in the second half of 2009 (available for purchase by all nationalities). Sentiment amongst buyers for these properties is that the bottom of the market has been reached, and confidence is returning once more. This confidence has been bolstered by the strong rental demand evident for villas and townhouses at The Wave. Cluttons is of the opinion that the market has matured rapidly from the highly speculative purchasing in 2008 and that most potential buyers are now end-users. We believe that property prices should start to pick up gradually but that growth rates will be at a more sustainable level.

The local sales market (i.e. for those properties only available for purchase by Oman and GCC nationals) has seen relatively little activity. Whilst enquiries and offers have increased in the latter part of 2009, currently there are few cash buyers, and these buyers are looking to drive a hard bargain. Many property owners still have unrealistically inflated views as to the value of their property. The significant gap between the buyer's and the seller's expectations is resulting in few sales completing.





## Oman logistics market and the TransOman conference

Logistics in Oman is progressing from a base point where corporate organisations undertake their own distribution from owner occupied warehousing. These buildings are often of an outdated specification and in locations of historic land ownership. In the past, product has been stored in low rise accommodation without racking or temperature control. Changes are now taking place to upgrade the property stock and relocate to efficient sites within the road, sea and air infrastructure.

At the same time, organisations are looking into reducing capital exposure to non-operational activities such as property. Consequently, a leasing market for new warehousing is emerging and the potential for third party logistics operators (3PL) is improving. Today the market remains dominated by in-house service providers, freight forwarding and courier companies and transport/haulage businesses. However, there are third party logistics providers looking to enter the market and clients are beginning to see the efficiencies and benefits of using storage and logistics experts to take on this side of their business.

The TransOman conference was inaugurated in 2009 to bring together key players. This resulted in a very positive and essential initiative, assisting communication and cooperation between the dependant parties. Government Ministries, key infrastructure providers and the private sector were all well represented.

Valuable and informative sessions with the Port operators in Sohar and Salalah, as well as the Oman Airport Management Company, provided insight into the considerable infrastructure improvements to the Sultanate. Along with the major Government road building programme, this sets the essential background for the massive investment that was required to make the most of Oman's strategic location. This has been on a regional level and has given the national network a major boost.

The presentations were supported by talks from bodies such as Customs and Excise Departments, road safety experts and internationally recognised service providers in the Far East. Most importantly, representatives from the PDO logistics team gave a first-hand account of the progress they made in introducing major 4PL initiatives. And finally, a senior executive from D8 Schenker, a leading international logistics company, set out the challenges that the Omani authorities should seek to address.

Through events like TransOman, the Sultanate has the opportunity to capitalise on its strategic location and large consumer market. This is a positive way forward and we look forward to next year's event.

Cluttons established its Gulf light industrial and logistics department in 2009 to provide an integrated service for clients needing professional advice on all aspects of the market. Our services include design and acquisition for occupiers seeking new premises of an appropriate modern specification, and helping land owners plan and develop business parks to an internationally recognised standard. This is supported by the professional role of valuations, and the sales and leasing of existing premises which enables us to provide a fully comprehensive light industrial and logistics service.

In 2010 we hope we can be of assistance to both existing and new clients alike, whilst recommending support to such initiatives as the TransOman conference, ensuring that the most is made from this emerging market.

## Region



### Dubai residential and commercial property market overview

The economy – market braced for debt repayments in 2010.

The residential market – prices stabilised in Q4 2009, demand for quality development.

- the Clutton's residential pricing index was close to 70% below its 2008 peak in August 2009, where it lingered for the past two quarters;
- the residential market has started to stabilise with month-to-month sales now showing some traction;
- demand is concentrated on areas which are ready-built with a reputation for good quality such as Downtown Burj Dubai, Arabian Ranches and Emaar's Dubai Marina;
- conversely, there has been a continual decline and discard of low quality properties;
- lending is still cautious, tailoring towards individual clients and on projects by reputable developers and where construction is visibly progressing; and
- Cluttons has identified several downside risks to the market that may impact recovery and growth in 2010.

The commercial market – pace of decline slowed but free zones suffering from red-tape.

- the commercial property market in Dubai has been affected in tandem with the residential market;
- demand for office space has fallen, leading to downward pressure on sales prices and rental rates;
- the pace of decline slowed in the last quarter of 2009, with areas with a reputation for quality such as Emaar Square and DIFC holding their value;
- current rental values vary by location and quality from AED 55 per square foot in JLT to between AED 250 – AED 300 in the DIFC;
- free zones have started to experience a departure by companies saving money in non-free zone or 'virtual' free-zone areas; and
- Dubai in general suffers from bureaucratic red-tape, lack of legal framework and piecemeal planning that needs to be addressed to incentivise new business into the Emirate now economic growth has slowed.

### New Cluttons office opens in Abu Dhabi

Clutton's opens a new office in Abu Dhabi in January. With four existing GCC offices (Dubai, Sharjah, Oman and Bahrain), currently Cluttons enjoys the largest footprint of any property firm in the MENA region.

Ian Gladwin, CEO Cluttons Middle East, commented: "We have taken the strategic decision to enter the Abu Dhabi market as a sign of our strength as a business and our commitment to expanding our coverage in the UAE. The opening comes at a time of rapid expansion in the Emirate of Abu Dhabi and our core services of valuation, agency, consultancy and investment will sit well in this exciting market. Steven Morgan, Head of Dubai, will oversee the Abu Dhabi operations and lead a highly qualified team consisting of William Dewsnap as Head of Valuation, Harry Goodson-Wickes as Head of Agency and Chris Waight as Head of Residential Valuation."

Further expansion in the region is planned with an office due to open in Saudi Arabia by the end of the year.

The Abu Dhabi office can be contacted by telephone on 00971 2 659 4001 and by email at [abudhabi@ae.cluttons.com](mailto:abudhabi@ae.cluttons.com).



## Cluttons acquires London building for the Anglo Omani Society

Cluttons has been instrumental in completing the acquisition of the freehold of a refurbished office building in Sackville Street, Mayfair, London for the Anglo Omani Society which promotes business opportunities between Oman and the UK. Cluttons is providing comprehensive property advice to the society which, in addition to the actual acquisition, will involve the fitting out of the society's accommodation and management of the property.

## Central London house prices set to grow by 6% in 2010

Cluttons predicts prices in Central London will rise by 6% by the end of this year, with a further 4% increase during 2011. This contrasts sharply with a mere 1% growth for the rest of the UK, which will further increase the price gap between the Capital and the rest of the UK.

We also predict that rents are set to increase by 7% over the next two years, which is good news for buy-to-let investors. Cluttons believes this can be attributed to a number of factors, including increased City confidence and landlords becoming more assertive in rental negotiations, due to rising interest rates.

Andrew Stanford, head of Cluttons' residential professional division, comments: "We believe firmly that prices are set to continue their ascent in London over the next two years. One of the key reasons is an acute shortage of good housing stock on the market and the influx of overseas buyers who are still continuing to snap up properties and consequently push up prices in the capital. In addition we expect this growth to continue well into 2014, as the City continues to recover and employment increases.

"The UK's slow exit from recession has created some optimism in the general economy but recovery will not be swift, largely due to the Government's large fiscal deficit and an expected 3% increase in the base rate over the next two years."



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