

Boom Times Come To Ajman

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For middle-class expatriates and would-be investors who cannot afford Dubai or Abu Dhabi, looking north may be the answer.

According to industry insiders, the northern emirates – and Ajman in particular – now offer the UAE's best property investment opportunity.

"Ajman is interesting because it is the cheapest freehold market in the UAE," said Sajeer Babu, an equity analyst specialising in property at the National Bank of Abu Dhabi. "You can have a one-bedroom flat for Dh400,000 (US\$108,000), while it would cost you four or five times that price in Dubai." According to the latest House Price Index from Colliers International, the average price per square foot in Dubai is Dh1,579. In Ajman, it is about Dh500.

Because Ajman prices were starting from a low base, they were affordable and they also had more room to grow. "Investing in property in Dubai or Abu Dhabi today doesn't make so much sense," Mr. Babu said. Evidence of the excitement surrounding the emerging northern emirates property market could be seen at this month's R&R Local Property Show in Ajman, which attracted more than 35,000 visitors, according to the organisers.

But while Ajman was generating the loudest buzz at the show, it has competition from its northern neighbours.

In Ras al Khaimah, more than 30 projects are under way or in the planning stage, among them Saraya Islands, Mangroves Island and The Gateway, as well as the \$2.7bn Mina Al Arab, which is being developed by the government-backed RAK Properties. With a thriving industrial free zone, many kilometres of undeveloped coast and a robust tourism development plan, RAK looks likely to attract a growing population of permanent residents who work locally.

A more mature market than Ajman, RAK has seen property values increase dramatically since May 2006, when Mina Al Arab was launched.

"RAK Properties are now selling their units in Mina Al Arab at Dh1,200 per square foot, compared to 600 in the beginning," said Mr. Babu, adding that this would probably be the pattern throughout the northern emirates. "This will eventually happen in Ajman," he said.

Umm al Qaiwain has its \$8.2bn Al Salam City, Umm al Qaiwain Marina and White Bay. However, brokers say it is moving more slowly than other emirates in terms of both development and regulatory laws.

While Fujairah was viewed as the classical weekend tourist retreat, it also had several residential projects under way – among them Fujairah Paradise, Al Jaber Tower and Al Dana.

Jose Yanbeyi, a manufacturer from Venezuela now based in Fujairah, was optimistic about the emirate's growth. "A direct motorway to Dubai will be completed by 2009," he said. "The emirate is developing its port, there is the Dolphin pipeline project... so it's bound to become very interesting."

For the time being, though, Fujairah is hampered because, along with Sharjah, it does not offer freehold opportunities to non-nationals.

Sharjah was the first major market for middle-income buyers priced out of Dubai. However, restrictions on freehold ownership have created an opportunity for neighbouring Ajman to position itself as the ideal commuter destination. Ajman has seized on this to market itself under the slogan "Work in Dubai and live in Ajman".

According to Dirk Sassen, a shareholder in ICT, a German investment fund that is developing three towers in Ajman, the emirate is answering a need created by a shortage of affordable properties in Dubai.

"Once Burj Dubai is completed, the inner circle of 25km around it will be one of the dearest residential areas in the world," he said. "The middle class will have no chance inside this circle, even in International City. Ajman is only 30km from Burj Dubai and will be their natural place to live." Development is still in its infancy but Ajman is moving fast. Other than Emirates City, the project that launched the emirate as a property investment hub in 2006, most developments have been announced within the past eight months. The largest and most prestigious is the Dh220bn coastal city, Al Zorah, which is expected to house a population of 200,000.

Although Ajman hopes to attract mostly full-time residents as buyers, the market is now driven mainly by brokers and speculators, who expect profits to rise by 30 to 40 per cent during the next six months. "We sold units two years ago at Dh300 per sq ft and now prices have reached Dh520," said Mohammed Chapal, the executive director of Chapal, a developer. "The land price in Emirates City went from an average of Dh75 three months back to Dh105 per sq ft today."

Not all buyers are motivated by money. In 2004, Ajman became the first emirate to offer an automatic resident's visa to home owners.

"Many Iranians and Pakistanis who came to our stand were indirectly looking for a visa, particularly those aged in their 50s," said Natalya Shapovalova from Better Homes, a property agency. "After 60, it gets more difficult to obtain a residence visa in the UAE." Despite Ajman's attraction as an investment destination, a few pitfalls lie in wait for the unwary buyer. For instance, some developers may fail to complete their projects.

"Ajman announced many projects in a few months and will need qualified people to complete them, most of whom are already employed on Abu Dhabi or Dubai developments," said Mr. Babu. "Either they will have to pay them more, or use low-quality contractors." At the Ajman property show, Mehmood Yousuf, a director of Minarat Properties, cautioned that some developers' eagerness to cash in on the opportunity meant that they were not doing their sums properly. "To my mind," he said, "given the low sale prices, almost 15 projects I have seen at this exhibition just won't make it."

A spokesman for one of the UAE's mortgage lenders said uncertainty over the viability of some projects was making banks more cautious about lending.

"Mortgages come second, not first, because there is liability there," he said. "The main concern on the banks' side is the delivery, because when you mortgage a project you are practically financing it. The shortage of labour, of electricity and water, all affect the capacity of delivery of a project."

The emirate's government is, however, acutely aware of the need for regulation and is drafting a new property law and introducing escrow accounts, which should be in force in a few months time. The new law will, among other things, force developers to use all money collected from sales to complete the projects.

“Dubai serves as an example for us,” said Harib al Aryani, the general manager of the Ajman Land Department. “We are not creating a Real Estate Regulatory Authority like Dubai, but a division in our department will oversee the industry. We could transform it into a separate entity in the future if needed.”

But perhaps the most glaring problem is the shortage of essential infrastructure, particularly electricity – a headache that Ajman shares with all of the northern emirates.

“I bought a four-storey building in Nuaimiyah, Ajman Downtown, and already paid 40 per cent,” said a private investor at the Ajman show. “My bank signed a contract to lend the remaining 60 per cent, but is now asking me for a letter from the electricity company stating that there will be electricity by a specific date. But the company wouldn’t deliver it to me, so I can’t have my money,” he said, adding “more than 150 buildings in Ajman Downtown are ready but have no electricity”.

A number of developers are now considering installing their own generators, although some brokers take a more cynical view. “Electricity is a problem but not our concern,” said one broker, who refused to give his name. “We invest and resell shortly after. The problem will affect the end-users.” Mr. Aryani insisted that the government had matters in hand. “The government will of course provide the infrastructure,” he said. “And we don’t care about the cost, because no power means no development.”

Despite these issues, Mr. Sassen was bullish about Ajman. “Dubai Marina looked no better than Ajman seven years ago,” he said. “Everybody laughed at the Palm projects, but now they shut their mouths. When a country manages such a gigantic performance as Dubai did, do you really think that they are incapable of organising an electricity network?”