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A GULF IN CLASH

Claire Munro has lived and worked all over the Gulf, but never found a place to call home – until now. “My head is spinning with what’s going on here,” she says. “Tomorrow, I’m going to start looking for a place to buy to live in.” It is two o’clock on a stiflingly hot afternoon and the 28-year-old chartered surveyor from Edinburgh, who moved to the Gulf a decade ago with her boyfriend, looks out over a desertscape of cranes and half-built tower blocks stretching to the dusty horizon and beyond. Dubai? No. Munro has “lived there, done that”. Welcome to Abu Dhabi.

It may be the richest city state in the world – its 420,000 citizens sit on 10% of the planet’s oil and are worth £8m apiece – but the local property market is just getting started. And how. The largest of the seven United Arab Emirates, and the nation’s capital, it is investing £100 billion in property and tourism ventures in an epicly extravagant bid to keep up with, and eventually overtake, its gaudy neighbour.

Does the Middle East really need another Dubai a two-hour drive away from the original? Isn’t one blinging emirate where five-star hotels and razzle-dazzle real estate attract more hookers than hookahs more than enough?

“Yes and no,” says Eisa al-Ali, a senior project manager at Aldar, the state-backed developer behind most of the projects. “Yes, because we have a chance to be even more successful than Dubai. And no, because we don’t want to be like Dubai. We have the opportunity to get it right, to create something of quality. We don’t just want to build units, units and more units.”

More traditional, more religious and much, much richer than Dubai, Abu Dhabi wants to be a more cultured desert oasis – an Edinburgh to Dubai’s Glasgow. That’s why Sheikh Khalifa bin Zayed al-Nahyan, Abu Dhabi’s ruler and president of the UAE, is spending £10 billion opening “branches” of the Louvre, the Guggenheim and the Sorbonne, designed by leading architects including Zaha Hadid, Jean Nouvel, Tadao Ando and Frank Gehry. Why the

Dubai’s big-money bling grabs the headlines, but its neighbour, Abu Dhabi, is attracting more discerning investors, says **John Arlidge**

new hotels, such as the Shangri-La, seem right out of the Arabian Nights, rather than Blade Runner. And, for that matter, why the new homes have not yet been built. “We’re not in a rush,” al-Ali says. “We want to make sure we build the right infrastructure, get the best architects and the right quality.”

If the scale models are accurate, Abu Dhabi’s developments will outgun most Dubai schemes when they are completed 2-3 years from now. At Al Raha Beach, a £7 billion, seven-mile stretch of high- and low-rise waterfront residential blocks, townhouses and marinas, the architecture is world-class. The drum-shaped Aldar building is as bleeding-edge modern as the Gherkin, in London. Even the interiors of the planned flats and townhouses look less like hotel rooms than most modern developments in the Middle East.

It’s the same story on Yas Island, opposite Al Raha Beach. The flats, villas, hotels and occasional sheikh’s palaces make the vaunted Palm islands of Dubai look like an Arabian Milton Keynes. Just over the water from downtown Abu Dhabi, on Al Reem Island, Oceanscape, a new development by Damac, the Gulf’s leading private-sector developer, is a hypermodern, 32-storey curve of blue glass that would not look out of place in Manhattan. In each development, roads and canals are planned to far exceed current demand, in order to avoid the chronic transport problems that, at peak times, turn Dubai into a bigger traffic jam than Los Angeles.

Abu Dhabi has other advantages. Flights to and from it are quicker and much cheaper than to Dubai: British Airways fares can be one-third lower. Because it is built on a series of islands, there is no shortage of high-quality natural beachfront. There are more local Emirati and Gulf investors than in Dubai, which should promote mixed developments and avoid the creation of

the white ghettos that make Dubai such a divided society. Since last month, Abu Dhabi also has a high-quality English-language broadsheet newspaper, *The National*.

It may be less frenetic, better planned and more cultured, but is Abu Dhabi a better bet for the canny investor? Early adopters hoping to find bargains will be better off looking at the other new emirates on the block (see panel, right). Fancy designers and fancy materials – all imported – don’t come cheap.

Put that together with recent local price rises – flats and villas across the UAE have more than doubled in price in the past three years – and there are none of the £80,000 flats that could be had when the Gulf property market first opened up five years ago. At the Al Muneera development, in Al Raha Beach, for example, prices start at £150,000 for a one-bed flat, rising to £1m-plus for penthouses and beachfront villas.

That’s the bad news. The good news is, demand for apartments and homes to buy or rent is strong, so anyone who

does buy now should see healthy capital gain. A report published earlier this year by HSBC found that prices had risen by 30% over 12 months and predicted a surge of a further 25% this year, thanks to a shortage of completed property. Rents, meanwhile, rose by 22% last year as a result of high demand from expats moving to the Emirates for work.

Thanks to record oil prices, which are swelling the coffers of local businesses and sovereign wealth funds, the UAE is not feeling the effects of the credit crunch. Mortgage finance is readily available from local and overseas lenders, at average rates of 7%-9%.

Anne Wafaa, 48, who moved to the Gulf from Scotland after marrying an Egyptian, has spent £550,000 on two flats with sea views in the Oceanscape development – one to live in and one to rent. She believes that, in the long term, Abu Dhabi will be a stronger market than Dubai because its economy is more robust and the developments are of better quality. “Dubai is great, but there is no oil, and the local economy

is tourism and property, property, property – and not such great property at that,” she says. “One shock and it could head south.”

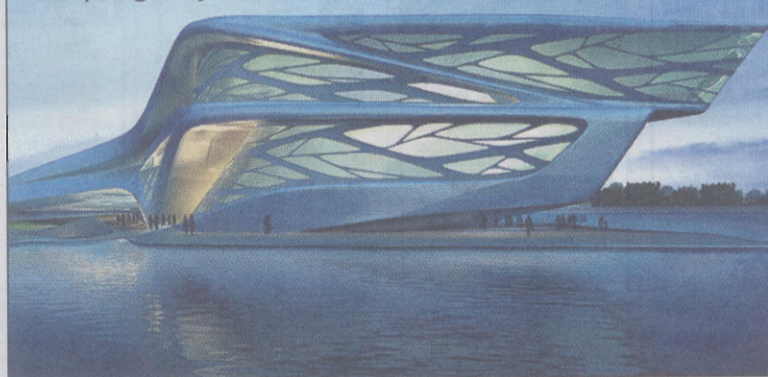
While the country has much going for it on paper – including, of course, no taxes – there are problems. Some of the developments, notably Yas Island, are close to the airport. They are therefore likely to suffer from noise pollution, especially as the number of flights to and from Abu Dhabi is likely to double in the next five years, thanks to the rapid growth of Etihad, the emirate’s airline, which was established in 2003.

Until Abu Dhabi’s new homes, museums, galleries and other developments, notably a £500,000 Warner Bros film studio, are built, it will remain “crashingly dull”, as one expat puts it. “There’s no ‘there’ there. There are only so many times can you go to the cinema or to the mall without going bonkers with boredom.” Expats also complain about the shortage of good schools. Some observers add that it will be difficult for Abu Dhabi to attract the number of multinational companies that have set up shop or opened regional headquarters in Dubai, and so keep prices increasing strongly in the long run.

For now, though, that is not deterring the early adopters – many of them Britons. Sharon Etherington, 38, from Bedfordshire, works for an Abu Dhabi-based investment firm. She has spent £350,000 on a maisonette in the Hydra development, near the airport, and a two-bedroom flat downtown.

For her, Abu Dhabi’s cultural advantages make it the ideal home in the Gulf. “It’s more real, more authentic, than Dubai,” she says. “When you go to Dubai, you feel like you are in Canary Wharf with better weather. When you come here you still have all the comforts of home, but you feel like you are at the heart of the real Middle East. It feels right.”

An artist’s impression of the proposed Abu Dhabi Performing Arts Centre, designed by Zaha Hadid

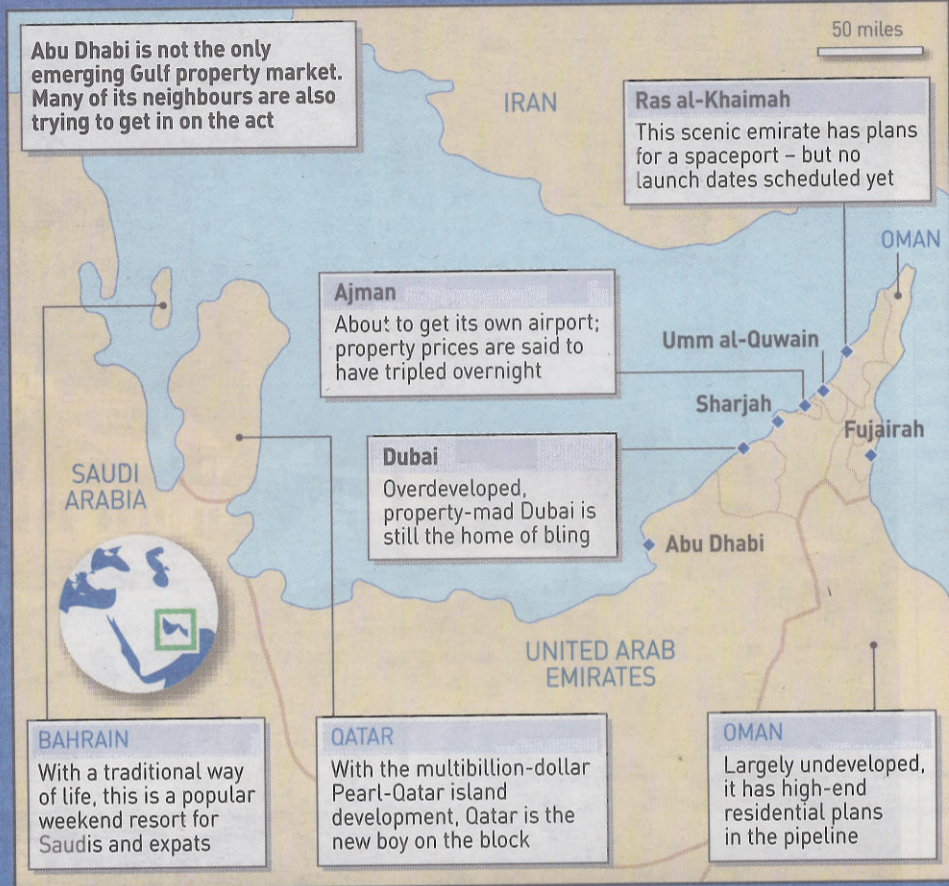


NOT JUST DESERTS

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Abu Dhabi’s skyline reflects the wealth of this oil-rich emirate

ASS



Sheikhs and movers



Abu Dhabi: Marina Bay, on Al Reem Island, is a 25-storey tower with residential, commercial and retail space, a gym and an infinity pool. *Three-bed flats start at £520,000 through Escapes2.com; 0161 766 1018, www.escapes2.com*



Ras al-Khaimah: The beachfront Pacific development on Al Marjan Island, to be completed in June 2011, is a 45-minute drive from Dubai. *One-bed flats cost £105,770 with Select Property; 0870 111 8892, www.selectproperty.com*



Qatar: Lusail, a 35 sq km area of undeveloped waterfront, is being transformed into a mini-city of about 220,000 people. *Prices start at £250,000 for a two-bed flat with Qatari Diar; 00 974 497 4444, www.qataridiar.com*



Oman: A 40-minute drive from Muscat, the capital, the Malkai has 101 four-bed villas, with prices starting at £1.9m. All come with swimming pools and will be completed in 2010. *Through Cluttons; 020 7647 0865, www.themalkai.com*