



Binesh Panicker, writer/images: Stefan Lindeque, Silvia Baron/ANM

Be the king of your castle

›Buying your own home in the UAE is within reach – and it's not as difficult as you might think.

Many people living in rented accommodation in Dubai are not enthusiastic about the prospect of buying a home – not because they are unaware that mortgages are now more easily available but simply because the entire process is thought of as lengthy and cumbersome. But ask Nils Jorgen Sehested or Neil and Alexandra Elton, who were tenants but are homeowners now, and they would say buying a home with a mortgage is a smooth affair with the support of a mortgage broker. If you have the money to make the initial deposit, which usually comes to about 15 to 20 per cent of the property value, the monthly mortgage payments are currently much lower than what you would be paying as rent. We met these new homeowners and asked them to tell us how they turned their dream of owning a home into a reality.

Nils, a Danish citizen, was living with his family in a rented villa in the Green Community after he moved to Dubai a year ago. However, he has already bought a five-bedroom villa in the same neighbourhood, and he will be moving in this month.

The regional general manager for an international dairy group, Nils spent considerable time testing the waters, given the current market conditions. However, he was keen to live in his own house, paying a fixed mortgage per month rather than spending money

on rent. Once he was convinced, he started looking around for the right property. With the help of a real estate firm, he finally found what he had been looking for – a villa in the same community where he had been renting premises since his arrival in Dubai. "I have lived only in the Green Community. It is green, peaceful and nice with schools, hotels and supermarkets. Being very close to my place of work and the schools of my children, it is perfect for me and my family," says Nils.

Prices have remained stable over the past 12 months with some areas, including the Green Community, witnessing slight increases. Nils, however, was happy with the asking price for the villa and decided to buy it. He informed the agent he wanted to go for a mortgage and the agent, in turn, put him in touch with a mortgage broker, Jean-Luc Desbois of Home Matters Mortgage Consultants, who then took on the responsibility of browsing the market for a product best suited for Nils.

'Broker helped me find my way through mortgage jungle'

Nils advises people who are planning to purchase their pad to hire a mortgage broker rather than approach different banks themselves. "I would go through a mortgage consultant rather than go to ten different banks searching for the right product. I would get lost in the jungle. The fee I paid to Home Matters was very reasonable taking into consideration what I got out of it. I would never go directly to banks because I neither have the ►

Above: Nils Sehested says if you have a certain annual income, getting a mortgage in the UAE is not a difficult proposition at all.



time nor the expertise," says Nils. Jean-Luc of Home Matters adds. "Good mortgage consultants have access to all major banks. They can secure you discounted rates, as well as the best mortgage terms for your individual circumstances. Home Matters also provides expert consultation throughout the whole process to transfer."

The three points of the 'buying triangle'

At the outset, the mortgage broker collected the necessary details from Nils such as his annual income, liabilities (if any), etc. Nils says while the general perception is that it's difficult to get a mortgage, the reality is different.

The pre-approval, which is the most crucial aspect when applying for a mortgage, took about two to three weeks after which he was asked to take out a life insurance policy. "The pre-approval, life insurance and final approval took four weeks. Pre-approval is given on your documents. After you get final approval, the transfer of the villa takes place — the entire process taking about six weeks," says Nils, who bought the property in April and got it transferred in his name the next month. "I would say it was kind of a triangle of people who worked together closely — the real estate agent, the mortgage provider and the life insurance agent. It worked extremely well." Most importantly, Nils had to step out for the entire process just once. "I didn't have to go anywhere. I just had to sign some documents in the bank. The mortgage broker came to my house too."

Interest rates were the deciding factor

Nils considers buying a more attractive proposition than renting in the current market. "I am here on a long-term basis, so I felt instead of paying rent, I would rather buy because the prices are very attractive," he says. Nils' main parameter for choosing a mortgage is the interest rate.

"If I compare the rent with the interest I pay to the bank, the

rent is always higher. The interest you pay is what you should compare with the rent. If the rent is X and the interest you pay is Y, and if X is higher than Y, then you already have a financial advantage," explains Nils.

While he refuses to give advice to prospective buyers, Nils says, "I can tell you what triggered me were indications that we are very close to the bottom of the market and the prices may not go further down — but nobody can guarantee this. If you are here for the long term, then why not buy instead of paying rent? It makes a lot of sense. You pay money to a bank rather than a landlord and at the end of the mortgage term, you have your own property."

The story of Neil and Alexandra Elton

This British couple arrived in Dubai close to three years ago. Neil is the commercial director of a long-established construction company. Soon after arriving here, the couple planned to buy a house rather than stay in a rented place. However, they were prepared to wait until they found the right property at the right price and, therefore, decided to rent a villa in the Springs. When they finally started their property hunt, things weren't as simple as they'd imagined it to be.

"We drove miles around Dubai looking for a property. In the end, we realised that location was absolutely critical," says Neil. They started looking around for properties in the best of locations and Palm Jumeirah immediately caught their attention. Then it was a fairly easy decision to make. "The Palm has quite a lot of exposure to the water," says Neil. Alexandra too adds that Neil's love for water was a compelling reason why they chose to live on the Palm.

"Neil grew up in the port city of Southampton in south of England and he has always loved water," she says. For her, however, being a country girl, it was all about more space. Their apartment in Marina Residences caters to both their requirements — while it has amazing sea views, the unit is also extremely spacious with big balconies. "Marina Residences

Above: For Neil and Alexandra Elton, the process of securing a mortgage turned out to be easier than expected

Left: The view of the Atlantis from the the Eltons' three-bedroom apartment in the Marina Residences, Palm Jumeirah



is quite well equipped and sizeable. Our unit is a three-bedroom apartment with a maid's room, spread over 4,000 square foot — the largest floor plan in the towers apart from the penthouses," says Neil.

'We know the market in England, but needed help here'

After deciding on the property, it was time to look for a suitable mortgage. Their real estate agent recommended the mortgage broker route. "We thought it was a nice idea. We know the property market well in England because we have a property there but here we didn't know anything about the legal aspects of buying a property, so we needed somebody to help us," says Neil.

The mortgage broker, Home Matters again, started with the pre-approval process. "They gave us a two-page guide on the different procedures and the fees involved. It was important to know. They took down our details such as the down payment we could put down and the mortgage we would require. Then they went to the market to find the best rates we could get along with the approval," says Alexandra.

With the pre-approval completed, the couple approached the seller and made an offer. "It was now a matter of finding the right mortgage product," she says. The banks needed to know the financial background of the applicants, so they were required to produce bank statements and proof of income. The whole process from procuring bank approval to getting the keys to the property took about two months, recalls Neil.

Like the Nils, the Eltons are looking at long-term prospects in the UAE. So, their primary criterion was the interest rate while looking for a mortgage. They also looked at the exit clause, tenure of loan and how it would affect them if the interest rates went up in the future. "I did a spreadsheet of six to seven different options and then we chose the best," says Alexandra.

Settled in their own space, a place to call home

The Eltons moved into their Marina Residence apartment at the end of April. "I know a lot of people who moved into lovely places in the last couple of years, but when the rents go up, they will be priced out. This was actually a big consideration. We wanted to have our own space rather than being transient," says Alexandra. ■

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COLUMN



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This month, rather than examining one of the possible real estate funds available to readers,

as an option to diversify away from direct Gulf property investment, we will return to the topic of how much of any portfolio should be allocated to property.

Unfortunately, in my experience, many of my UAE-based clients are 'over exposed' to property investments, meaning that they have too much of their funds tied up in the asset. This is a tricky position to be in with direct property investments, which can be a challenge to exit, especially whilst making a return in today's market. Much of the work I do with this group is focused on rebalancing their portfolios to reflect an evenly weighted basket of assets that are set to make the desired returns over the period required.

Reassess property allocation

Although theories on asset allocation (what percentage of your money should be invested in which asset type — asset types being: equities, bonds, cash, property, commodities, etc.) vary, all agree that property should only ever constitute a small part of any portfolio, whatever the objectives and risk profile. In fact, in general, consensus has downgraded the importance of property in a portfolio in recent years. Markets have demonstrated all over the world that property was not the 'safe bet' it was perceived to be in previous years.

Portfolio allocation models vary. One of the asset management firms PIC works with recently published its own guide to asset allocation, analysing six different model portfolios, low- and high-risk models, covering plans for up to five years, five to ten years and more than ten years. Across all of these strategies, no more than ten per cent of the overall portfolio amount is ever advised to be invested in real estate. For the shorter return plans, allocation is only five per cent, increasing to ten per cent for five to ten years, medium risk and more than ten-year plans. Again, from my experience, this is much lower than the average allocation I have witnessed among the many meetings I have with a mix of UAE residents every week. They are often overly committed to property well beyond their means.

It is worth noting that asset allocation models will distinguish between property, equity and bonds, both of which may themselves be exposed to real estate. Many real estate funds are mandated to have positions in real estate company stocks and this is something you can easily clarify before investing in any equity funds or bonds.

Nature of property investment

Another important factor to consider is where property investments are made. Beyond geographic decisions, you may like to seek advice on whether to invest in commercial or residential property. For example, when it comes to direct investment, we are seeing commercial property being widely tipped by asset managers, who point to the longer-term commitments by commercial property tenants, who often sign up for five to ten-year rentals. We will examine this in a following column.

Another topic that we feel is important to revisit is explaining the benefits and drawbacks of both direct property investment and investment in property-linked products. Although data on the regional markets is scarce, we will compare Mena (Middle East & North Africa) property funds versus the real property value indices and the associated fees attached to each in a later article.

As with any financial decision, there is a lot to consider and it is never too late to rebalance your portfolio. The first step is to speak to a professional investment adviser to review your objectives and options. ■