

Oman: Homing In

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Though there has been talk of bursting bubbles or at the very least a slow leak releasing pressure in other parts of the Gulf, no one has been talking down Oman's current property boom, which has seen demand soar even as prices climb.

This trend is nowhere more apparent than in the sultanate's residential property market, which is now into its third year of record growth.

Oman's property boom, like that across most of the Gulf region, is being driven by a mixture of factors, an expanding economy, easing of restrictions on foreign property ownership and strong state investment.

Underpinning most of this is the flow of cash to fund the acquisition of properties and the construction of developments. Riding on the back of strong oil and gas prices, Oman has been easily able to feed its appetite for real estate.

With higher levels of affluence comes the demand for improved residential developments; more and larger retail complexes; and, accompanying the push to diversify the economy, more office, industrial and business space. The expansion and diversification of the economy has also seen higher inflows of foreign capital, again fuelling the cycle for more residential, retail and business space.

The state has been releasing much more land in the past few years, opening up regions across the country for development, especially for residential use. Recently issued figures show that the increase in the number of residential plots made available grew 600% from 2003 to 2005.

With the official sanctioning of foreign property ownership in Oman last year, the sultanate has been attracting interested buyers away from other Gulf states, particularly those keen on high-end market developments. Though foreign ownership is still limited to certain designated regions, business has been brisk.

The residential components of both the \$1bn The Wave development, and the far larger Blue City near Al Sawadi, which has a price tag of more than \$15bn and will eventually house up to 250,000 people, have been selling strongly, with the former taking in \$85m in advance sales as soon as it opened up its second stage.

Long term deals like that provided by HSBC Bank, which in late February signed on to offer home financing for buyers at the 4000 residential unit The Wave development, with loans covering 80% of the costs spread over a term of 25 years, are geared to draw both local and foreign investors.

Across the market, home ownership has become more accessible, with the Central Bank clearing the way for commercial banks to make up to 5% of their funds available for residential loans. With Alliance Housing Bank, the first private sector housing bank established by a member state of the Gulf Cooperation Council, offering home loans at rates of just 6.55%, the domestic market has never been more active.

Oman's property boom has seen the real estate industry mature, moving away from speculative projects and toward becoming a more market-orientated sector.

According to Abdul Rahman Barham, CEO of Al Madina Real Estate Company SAOC, with the Omani economy on the rise, the real estate sector has to keep pace.

The Omani real estate market is going to be a major contributor to the economy, he said in a recent interview. Earlier too it played a major role, but as part of the construction industry. But now we're seeing a new full-fledged sector evolving and that is the real estate development sector...having the potential to house huge assets and invite enormous foreign investments.

However, with real estate prices estimated to have increased by 20% over the past year, up from 25% in 2005, many middle- and lower-income Omanis are struggling to benefit from the sector's new-found maturity. The state has come to the aid of at least some locals by offering subsidised funding in return for a limited service fee, through the services of the Oman Housing Bank.

The state also provides some housing for Omanis living in more remote areas of the sultanate, as part of its program to develop regions away from bustling Muscat.

While the high end of the market is driving the residential component of the real estate sector in Oman to a great degree, there is still a squeeze at the lower levels, with strong demand but fewer developers wanting to target those needs.

That said, with the continuing robust health of Oman's economy, more locals will benefit as the cash both flows in and trickles down. While not everyone will end up in a luxury residence promoted by major developers, home ownership is on the up.