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Oman: Mixed reaction to rental ceiling

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MUSCAT -- Real estate companies have exuded mixed sentiments with regard to the government's decision to put a ceiling in property rentals. Ian Gladwin, Partner and General Manager, Cluttons, said: "The government's decision needs to be clarified particularly with regard to the category of property and effective dates". Speaking to the Observer, Gladwin said increases in the rentals in the past one year have been a combination of correction of historic rents as well as an increase in demand.

According to Gladwin many medium sized projects faced with rising construction costs will doubtlessly be reconsidered. "The medium term problem of lack of availability is likely to grow as appetite for speculative development will be dampened", he added. Francis Selvaraj, associate partner, Cluttons, said: "The immediate effect will be a settling of minds among the residential tenant community. There will also be an imbalance between reviewed rents and non-reviewed one which are now subject to the government's decision."

Land prices will also adjust to reflect the development potential and the investment market for existing and future development stock will be impacted, added Francis. Market sources say like each year, the market entered a period of relative quiet during the summer season (as is normal on a yearly basis). The momentum is set to return in October. The year will see on average a 10-12 per cent value increase for the residential sector with expected greater returns from the commercial market.

Full implications of the rental ceiling will become clearer next month as real estate companies assess the situation. The real estate market in the Sultanate is characterised by owner-occupier, renter-occupied, investors and developers. Expatriates have been the largest group in the renter-occupied category. The housing stock comprises independent villas, twin villas, compounds and apartments.

The property market in Oman, particularly in Muscat capital area is diverse in terms of type, size, style and age. The property stock comprises of residential, commercial (office accommodation and retail units) and industrial. The traditional joint family system has in recent times given way to younger families/nuclear homes, leading to increased demand for residential property.

Rental values have constantly shown a big increase in recent years not only in the villa and higher quality apartment segment but across the board in all types of housing property. There has been an increase in the number of expatriates and the nuclear families of nationals and the supply has not kept pace with demand. Some market sources said the Sultanate's property market is in a period of sustained growth and they do not feel that this decision will have any longer-term detrimental impact on this growth. Certain sectors of the market including the retail/commercial areas are likely to see short-term adjustments but these are unlikely to be of long-term nature.

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