



Impact of COVID-19 on real estate

The exact impact of COVID-19 is unknown, but any disruption to the real estate markets is likely to be a near term delay or a knee-jerk reaction, rather than a fundamental downturn over the long term. There will be inevitable impacts on economic growth, tourism, high-street retail spends, and so forth but there are also longer-term outtakes such as accelerating trends within flexible working, online retail and improving supply chain.

The strong fundamentals of the local economy including foreign currency reserves of more than AED 405 Bn and monetary measures introduced by the Central Bank will help weather any economic slowdown caused by the pandemic. Most of the companies across the UAE have been successful in implementing remote working options for majority of their staff, thereby ensuring business continuity and sustained economic momentum.

The real estate sector in the country has remained largely resilient during the first two months of 2020. The introduction of a stimulus package by the Central Bank will be a shot-in-the arm to the property market in the medium-to-long term. We have already witnessed a gradual increase in demand, especially across the residential sector in 2019 and a further relaxation in LTV ratios will encourage more investment appetite into the sector. Banks will likely step-up their exposure to real estate and the construction sector, a spike in re-mortgage activity may also be witnessed in the coming months due to attractive borrowing rates and other promotional discounts.

The upfront financial requirement to buy property has reduced as individuals now have an additional 5% as part of the relaxed LTV norms. The Abu Dhabi government has also waived off (for the entire year) real estate registration fee of 2%. As a result, transaction activity by residents may increase as individuals who are currently renting will find it more affordable and lucrative to purchase their own property. A continued softening in asset pricing and completion of new projects over the next few months will offer value proposition to end-users to upgrade their current real estate to better quality stock. However, there is a possibility that the market may witness a slowdown in demand from international investors due to restrictions in travel. At a corporate level, key decisions relating to fresh office space requirements may get delayed or postponed, which may in turn increase the number of renewal activity as a knock-on effect.

Central Bank Announces Comprehensive Economic Scheme

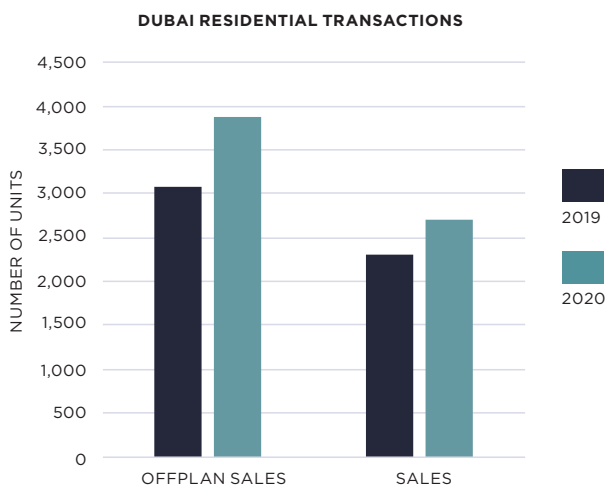
The Central Bank of the UAE has announced a comprehensive AED 100 billion ‘Targeted Economic Support Scheme’ to contain the repercussions of the COVID-19 pandemic.

KEY OBJECTIVES OF THE SCHEME ARE AS FOLLOWS

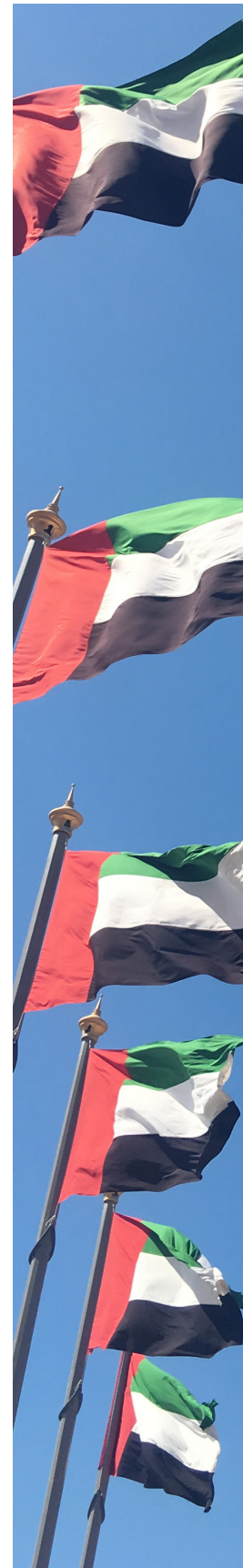
- To improve confidence and business environment in the UAE
- Support retail and corporate customers affected by COVID-19
- Free-up the regulatory capital buffers of local banks
- Extend loans and advances to all banks at zero cost against collateral

What will the scheme include?

- AED 50 billion from the Central Bank’s funds through collateralised loans at zero cost to all banks operating in the UAE
- AED 50 billion of funds freed up from banks’ capital buffers. Banks can use the funding to grant temporary relief to private sector corporate customers and retail clients for a period of up to 6 months
- Reducing the amount of capital banks have to hold for their loans to SMEs by 15 to 25 percent
- Increasing the loan-to-value (LTV) ratios applicable to mortgage loans for first-time home buyers by 5 percentage points. Currently LTV’s stand at 75% for non-UAE nationals and 80% for UAE nationals*
- Increasing the maximum exposure that banks can have to the real estate sector from 20 percent to 30 percent, contingent on holding more capital
- Reducing fees incurred by merchants when customers pay by debit or credit cards



*Transactions for the month of January and February only



Individual emirates ramp-up economic support to local business and residents

Abu Dhabi - Dynamic economic stimulus package

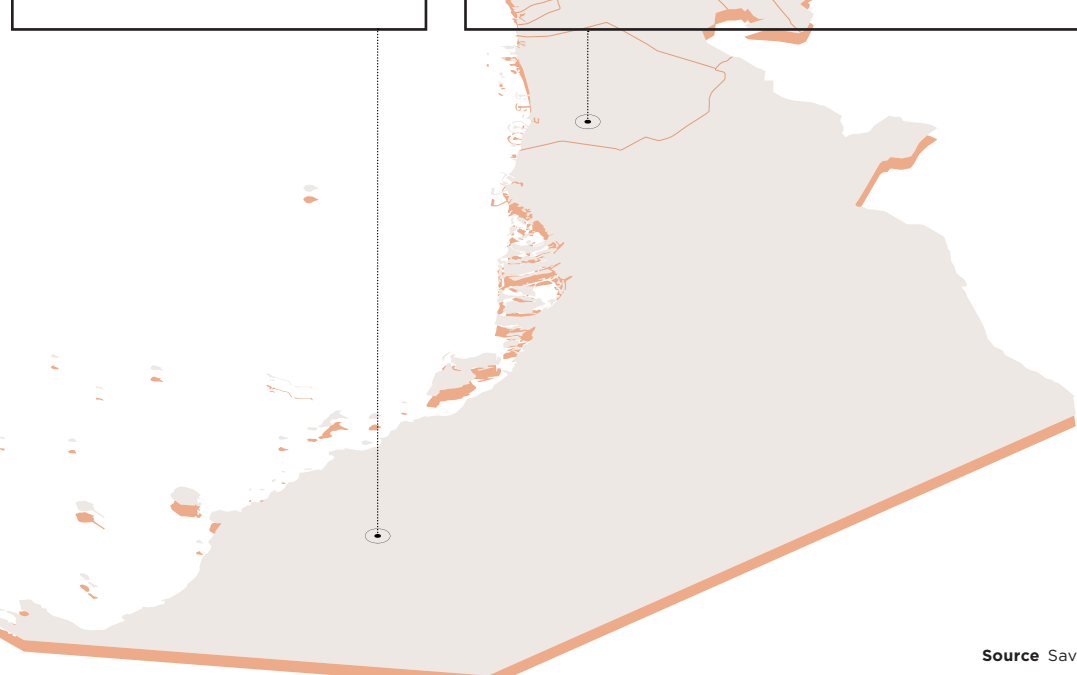
... to fast-track the implementation of key Ghadan 21 economic initiatives to support economic activity, reduce the costs of living, and facilitate business in the emirate.

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Dubai - AED1.5 bn economic stimulus package for next three months

... includes 15 initiatives focused on the commercial sector, retail, external trade, tourism, and the energy sector

- A freeze on the 2.5% market fees levied on all commercial and business sector facilities operating in Dubai
- A refund of 20% on the custom fees imposed on imported products sold locally in Dubai markets
- Cancellation of the AED50,000 bank guarantee or cash required to undertake customs clearance activity
- Fees imposed on submitting customs documents of companies will be reduced by 90%
- Cancellation of the 25% down payment required for requesting instalment-based payment of government fees for obtaining and renewing licenses
- Reduction of municipality fees imposed on sales at hotels from 7% to 3.5%.
- Exempts companies from fees charged for postponement and cancellation of tourism and sports events scheduled for the year 2020
- Freezes the fees charged for the sale of tickets, issuance of permits and other government fees related to entertainment and business events
- A 10% reduction in water and electricity bills including those charged in the residential, commercial and industrial sector
- Reduces deposit paid for water and electricity connections by 50%



Savills team

Please contact us for further information

Edward Carnegy
Head of Savills Abu Dhabi
+971 2 441 1225
edward.carnegy@savills.me

Murray Strang
Head of Savills Dubai
+971 4 365 7700
murray.strang@savills.me

Suzanne Eveleigh
Head of Savills Sharjah
+971 6 572 3794
suzanne.eveleigh@savills.me

Richard Paul
Head of Professional Services Middle East
+971 4 365 7700
richard.paul@savills.me

Swapnil Pillai
Associate Director Research Middle East
+971 4 365 7700
swapnil.pillai@savills.me

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