

Property Prices in Dubai to Fall

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Dubai: House prices in Dubai are set to decline by up to 20 per cent by 2011, adding fuel to the plethora of predictions in recent weeks that Dubai's property market will see a correction.

House prices will hit their peaks in the first half of next year due to the massive 70,000 units expected to be released on to the market in 2009, according to a recent report by EFG-Hermes.

However, house prices will then decline in the second half of 2009, with a cumulative decline of around 15 to 20 per cent by 2011, the report said.

The future of Dubai's house prices has been hotly discussed by investors and analysts alike, as they seem unaffected by the financial credit crisis that has the rest of the world in its grip.

Opinions had greatly varied from Morgan Stanley's prediction of a 10 per cent drop in prices by 2010 to a slightly less pessimistic "correction" from other analysts.

Property prices have continued increasing to the disbelief of many investors. Colliers International recently reported that prices in Dubai rocketed 42 per cent in the space of three months, between the last quarter 2007 and the first quarter 2008.

An overall increase of 78 per cent was recorded in a single year, between first quarter of 2007 and first quarter 2008.

Matthew Green, head of research and consultancy at Cluttons UAE, doesn't see prices dropping very dramatically as more people come to Dubai for work opportunities, especially in light of the recent collapse of Lehman Brothers in the US.

"The job market in Dubai is booming at a time when London and New York are seeing huge layoffs in the finance and property sectors. We may start to see a migration of talent to cities such as Dubai and Abu Dhabi where the economic picture is somewhat brighter," Green told Gulf News earlier.

A drop in house prices would be good news for those trying to buy property in Dubai but would be bad news for speculators, who are currently pushing up prices.

Barmak Besharaty, managing director of Al Mas Capital, said last week that due to the tightening of belts in Europe and the US, less money will be coming into Dubai.

"Everything points to a levelling out of prices," Besharaty said.

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Source: Gulf News