



Dubai House Prices Declined 8% in the Fourth Quarter (Update2)

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By Arif Sharif

Jan. 13 (Bloomberg) -- Dubai house prices fell 8 percent in the fourth quarter from the prior three months as the global economic crisis halted a five-year property boom, Colliers CRE Plc said.

The number of transactions fell 45 percent in the quarter, the property adviser said in an e-mailed report today. Apartment prices declined 11 percent, more than other types of real estate. House prices climbed 59 percent from a year earlier.

The cost of buying a home in Dubai, one of seven sheikhdoms that comprise the United Arab Emirates, has fallen because the worst economic crisis since the 1930s Great Depression has prompted banks to grant fewer loans. The prospects of further declines has caused some speculators to quit the market.

The drop "was not as bad as everyone had feared," **Ian Albert**, director for the Middle East, said in the report. The four-fold increase in prices in the past five years was "frankly unsustainable," he said.

Average loan-to-value ratios offered by banks have fallen to around 65 percent to 75 percent, down from a high of about 85 percent to 90 percent, Albert said by telephone today.

Falling Currencies

The decreasing value of major currencies also made dirham- denominated assets more expensive and discouraged some overseas buyers, the Colliers report said. Delays to projects by state- backed developers and investors waiting for "signals that the market has bottomed" also hurt prices.

Developers in Dubai have cut jobs and reviewed projects as they brace for a slowdown in demand across the region. The impact of a weakening property market on Dubai's economy would be significant because construction and real estate account for almost 50 percent of the emirate's gross domestic product, Standard & Poor's said Dec. 23.

House prices in Dubai leaped 43 percent in the first quarter from the previous three months, 16 percent in the second quarter and 5 percent in the third, Colliers said Dec. 3. Prices are now at about the same level as they were at the end of the second quarter, Colliers said today.

"We have seen excessive speculation in the last couple of years," Albert said in the telephone interview. "No one knows how far the market will now fall."

Colliers' price index uses data of completed property deals from the beginning of 2007 from six Dubai-based banks that contribute about 60 percent of the mortgages offered in the emirate, Albert said.

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