



# Colliers International House Price Index

DUBAI | FOURTH QUARTER | 2008

## SUMMARY

Previous editions of the Dubai House Price Index have all recorded consistent quarter on quarter increases in the price of foreign ownership residential properties. The report for Q4 2008 heralds a change in this trend in that it records, for the first time since its inception, an average decrease in house prices over the previous quarter. The Overall Foreign Ownership Index declined by 17 points from 216 basis points to 199 basis points, which represents an 8% decrease.

Despite the quarterly decrease however, the index shows that average house prices in Q4 still exceeds average house prices recorded in the first quarter of 2008. The blended average rate for Q4 is approximately equal to that recorded in April 2008 (AED 1,706/ft<sup>2</sup>). The year on year increase in the average rate between Q4 2007 and Q4 2008 is recorded at 59%.

## INDEX RESULTS

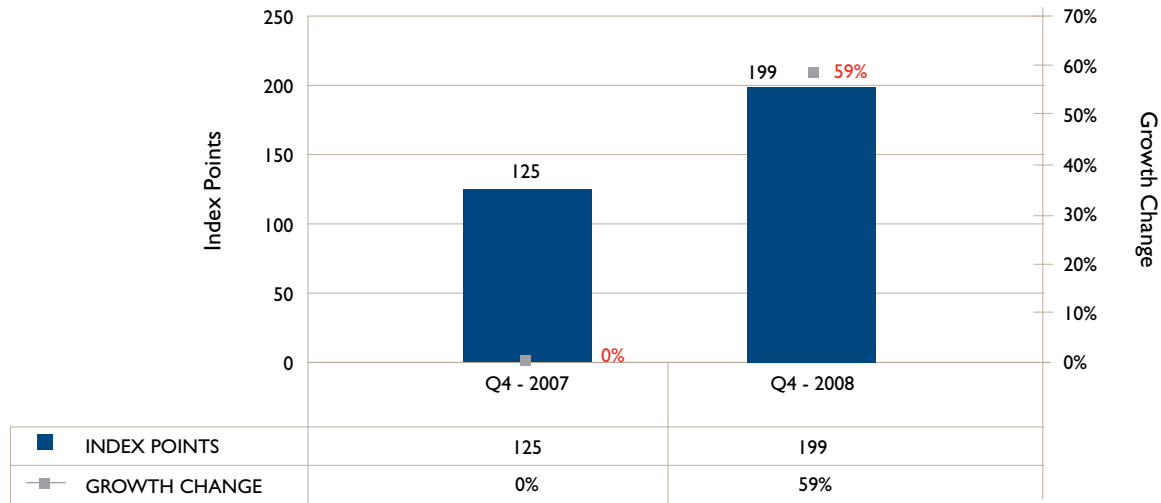
- A quarterly decline in the overall index of 8% between Q3 2008 and Q4 2008.
- A year on year increase of 59% between Q4 2007 and Q4 2008.
- The blended average rate for residential property in Q4 2008 was AED 1,770/ft<sup>2</sup> (AED 19,053/m<sup>2</sup>) - down from AED 1,919/ft<sup>2</sup> (AED 20,656/m<sup>2</sup>) in Q3 2008.
- Apartment prices decreased by 11% in Q4 2008 compared to Q3 2008.
- Villa prices decreased by 3% in Q4 2008 compared to Q3 2008.
- Townhouse prices increased by 1% in Q4 2008 compared to Q3 2008.



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## ANNUAL OVERALL DUBAI FOREIGN OWNERSHIP INDEX



Whilst the Quarterly Overall Dubai Foreign Ownership Index recorded a decline in blended average house prices for the fourth quarter, the Annual Overall Dubai Foreign Ownership Index still records year on year growth in average house prices over Q4 2007. The Quarterly Overall Index declined by 17 points to 199 basis points, which represents an 8% decrease in Q4 2008 from Q3 2008 but the average price of properties remained 59% higher in Q4 2008 than in Q4 2007.

The index has risen by 199 points since the base quarter, which was Q1 2007.

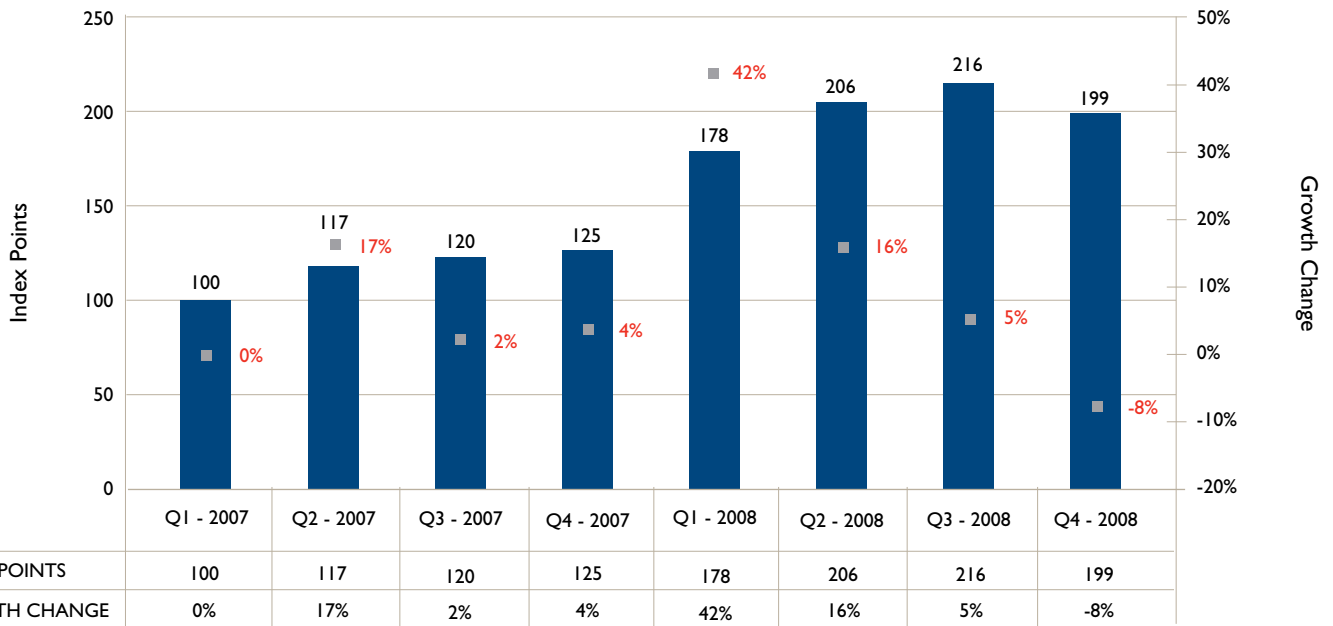
The blended average house price for Q4 2008 is approximately level with average house prices recorded in April 2008 (AED 1,706/ft<sup>2</sup>) and exceeds average house prices recorded in Q1 2008.

The 8% decrease in the index value may be attributed to the following factors:

- During Q4 2008 the UAE felt the first real indications of the impact of the global financial crisis on the region. This was particularly evident in the real estate market as prospective purchasers reassessed their investment considerations and approached property transactions with increased caution. This cautionary sentiment led to a wait-and-see approach from purchasers which caused a slow down in demand for property within the city. Negative sentiments were further reinforced as large government backed developers started to postpone developments and job redundancies were declared within the real estate sector.

- Local and international mortgage providers within the region were also affected by the global financial crisis. A lack of liquidity for these banks and financial institutions led to funds becoming more expensive and difficult to secure. The tightening of liquidity forced banks and financial institutions to apply stricter lending criteria, reduce loan to value ratios (LTVs) and increase interest rates on mortgages. Despite Central Bank intervention with an offer of a central pool of funding, banks remained cautious and the measure had little effect on the availability of funds for development and acquisition.
- The increase in the value of the UAE Dirham because of the appreciation of the US Dollar meant that property in Dubai became more expensive relative to other markets. The already diminished pool of investors was now being enticed by investment opportunities in other countries, further reducing demand in the local market.

## QUARTERLY OVERALL DUBAI FOREIGN OWNERSHIP INDEX



Property prices declined by 8% in Q4 2008. The index dropped by 17 points to a level of 199 basis points, an 8% decrease from Q3 2008. However, the prices of properties remains higher than in Q1 2008.

The blended average rate per  $\text{ft}^2$  for residential property in Dubai in Q4 2008 was AED 1,770. (AED 19,053/ $\text{m}^2$ )

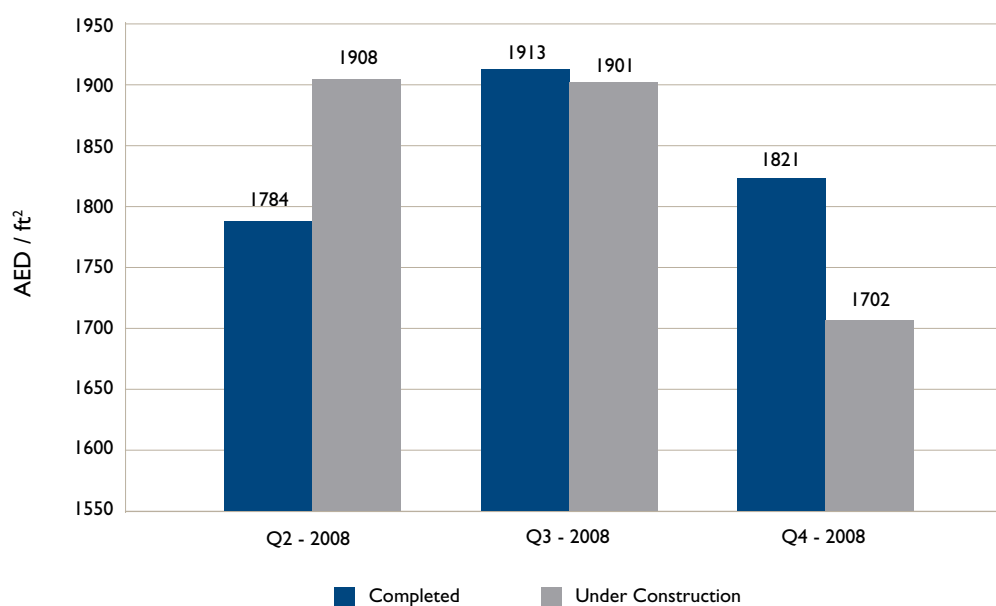


## DUBAI FOREIGN OWNERSHIP INDEX

### COMPLETED VERSUS UNDER CONSTRUCTION PROPERTY

In order to provide a clearer perspective of property transactions within Dubai, it was felt necessary to distinguish between completed projects and projects still under construction. Also, because of the mass of the Downtown Burj Dubai project and the fact that significantly higher prices are being achieved in the Downtown Burj Dubai project, it has the potential to skew index results. It was therefore deemed necessary to further distinguish between average property prices including the Downtown Burj Dubai project and average property prices excluding the Downtown Burj Dubai project.

#### Including Downtown Burj Dubai



The average rate per ft<sup>2</sup> for completed projects dropped from AED 1,913/ft<sup>2</sup> (AED 20,592/m<sup>2</sup>) in Q3 2008 to AED 1,821/ft<sup>2</sup> (AED 19,602/m<sup>2</sup>) in Q4 2008 which represents a 5% decline. Average rates per ft<sup>2</sup> for projects still under construction declined by 10% to AED 1,702/ft<sup>2</sup> (AED 18,321/m<sup>2</sup>) in Q4 2008 compared to AED 1,901/ft<sup>2</sup> (AED 20,463/m<sup>2</sup>) in the previous quarter.

In Q2 2008 prices of properties under construction were higher than completed properties, driven by strong speculative activity in the off-plan sector. In the next quarter (Q3 2008), however, the average rate per ft<sup>2</sup> for completed projects and projects still under construction had levelled out to approximately the same level. Demand for completed properties has since remained firmer and has kept prices in completed projects moderately higher than those achieved in projects still under construction.

In Q4 2008, limited availability of mortgage finance for properties under construction and new, stricter regulations being enforced by RERA (Real Estate Regulating Authority) relating to properties under construction, led to a sharp decline in selling prices for properties still under construction. The rates per ft<sup>2</sup> for completed properties remained more buoyant and did not drop as sharply as those for properties under construction. The reasons for the greater buoyancy in the completed property sector can be attributed to the fact that completed projects represent a more secure option for mortgage providers and also that these properties are less attractive to speculators.

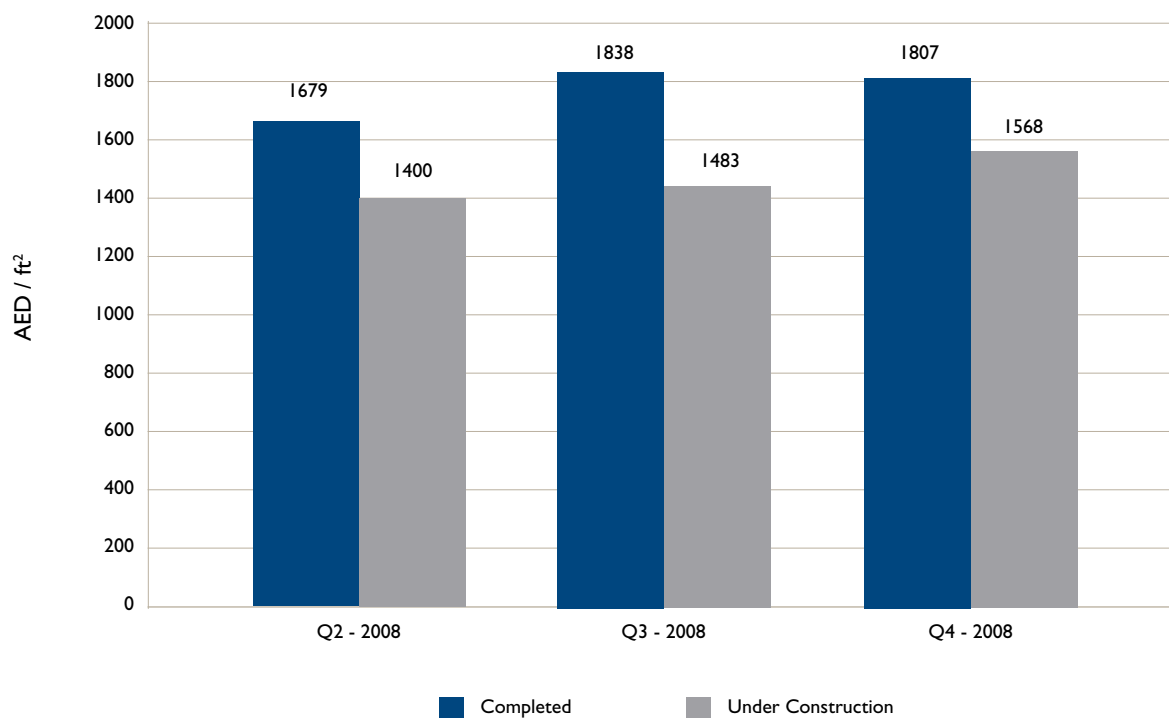
#### Overall Comparison

COMPLETED VS UNDER CONSTRUCTION (INCLUDING DOWNTOWN BURJ DUBAI)				
Time Period	Completed		Under Construction	
	Rate / ft <sup>2</sup>	Change	Rate / ft <sup>2</sup>	Change
Q2 - 2008	1,784	--	1,908	--
Q3 - 2008	1,913	7%	1,901	-0.4%
Q4 - 2008	1,821	-5%	1,702	-10.4%

## DUBAI FOREIGN OWNERSHIP INDEX

## COMPLETED VERSUS UNDER CONSTRUCTION PROPERTY

## Excluding Downtown Burj Dubai



Excluding the Downtown Burj Dubai development from the index, the average rate per ft<sup>2</sup> for completed properties declined by almost 2% from AED 1,838 (AED 19,785/m<sup>2</sup>) in Q3 2008 to AED 1,807 (AED 19,451/m<sup>2</sup>) in Q4 2008. Conversely, the average rate per ft<sup>2</sup> for properties still under construction increased by 5.7% to AED 1,568 (AED 16,878/m<sup>2</sup>) in Q4 2008.

Excluding the Burj Dubai project from the index resulted in a reduction in the average rates per ft<sup>2</sup> for both completed and incomplete properties. This is particularly evident in prices of property under construction, where the average rate per ft<sup>2</sup> drops significantly from AED 1,702 (AED 18,321/m<sup>2</sup>) including the Burj Dubai project to AED 1,568 (AED 16,878/m<sup>2</sup>) excluding the Burj Dubai project.

The spike in average rates per ft<sup>2</sup> caused by the Downtown Burj Dubai development is clearly significant and it is obvious that the performance of this development affects the entire index heavily.

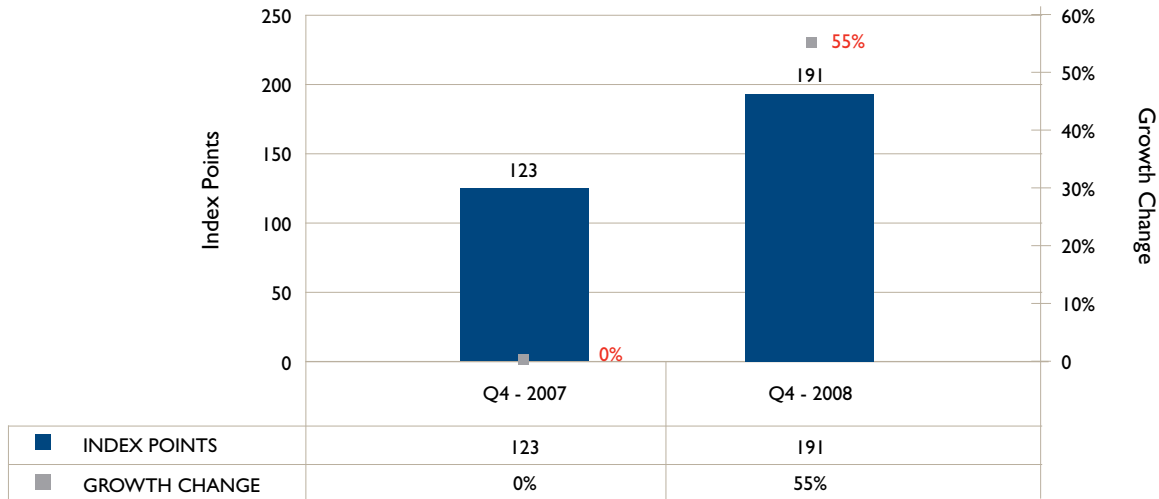
## Overall Comparison

## COMPLETED VS UNDER CONSTRUCTION (EXCLUDING DOWNTOWN BURJ DUBAI)

Time Period	Completed		Under Construction	
	Rate / ft <sup>2</sup>	Change	Rate / ft <sup>2</sup>	Change
Q2 - 2008	1,679	--	1,400	--
Q3 - 2008	1,838	9%	1,483	6%
Q4 - 2008	1,807	-1.6%	1,568	-5.7%

## TYPE OF PROPERTY INDEX

### ANNUAL OVERALL APARTMENT INDEX

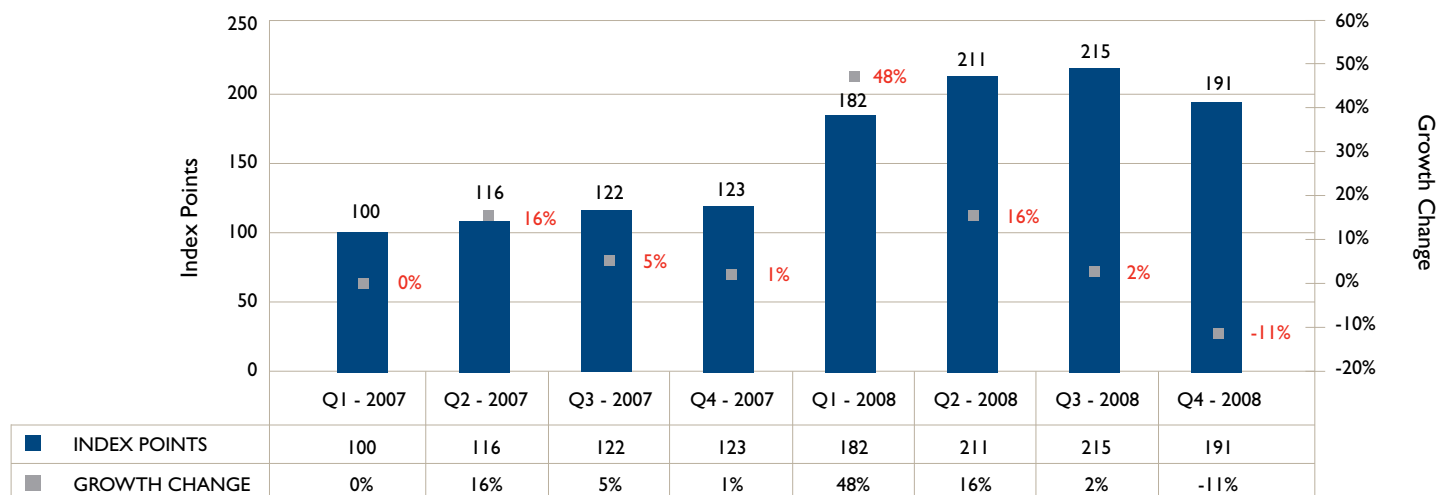


The Annual Overall Apartment Index increased by 55% in the Q4 2008, compared to Q4 2007. The index rose to 191 points from 123 points.

The blended average rate per ft<sup>2</sup> for apartments in Dubai in Q4 2008 was AED 1,933 (AED 20,807/m<sup>2</sup>).

Apartments constituted 74% of the total mortgaged properties used to collate this Index.

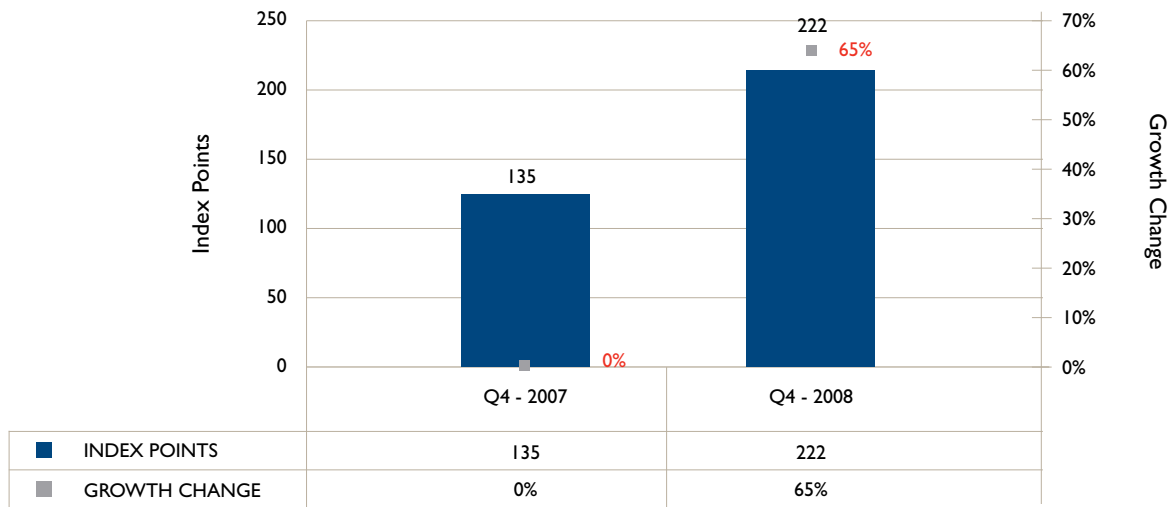
### QUARTERLY OVERALL APARTMENT INDEX



The Quarterly Overall Apartment Index declined by 11% in Q4 2008 compared to Q3 2008. The index decline was driven particularly by price reductions in Jumeirah Beach Residence, Downtown Burj Dubai and Palm Jumeirah. Apartment prices in Q4 2008 were on a par with prices recorded in March 2008.

The blended average rate per ft<sup>2</sup> for apartments in Dubai in Q4 2008 was AED 1,933 (AED 20,807/m<sup>2</sup>).

## ANNUAL OVERALL VILLA INDEX



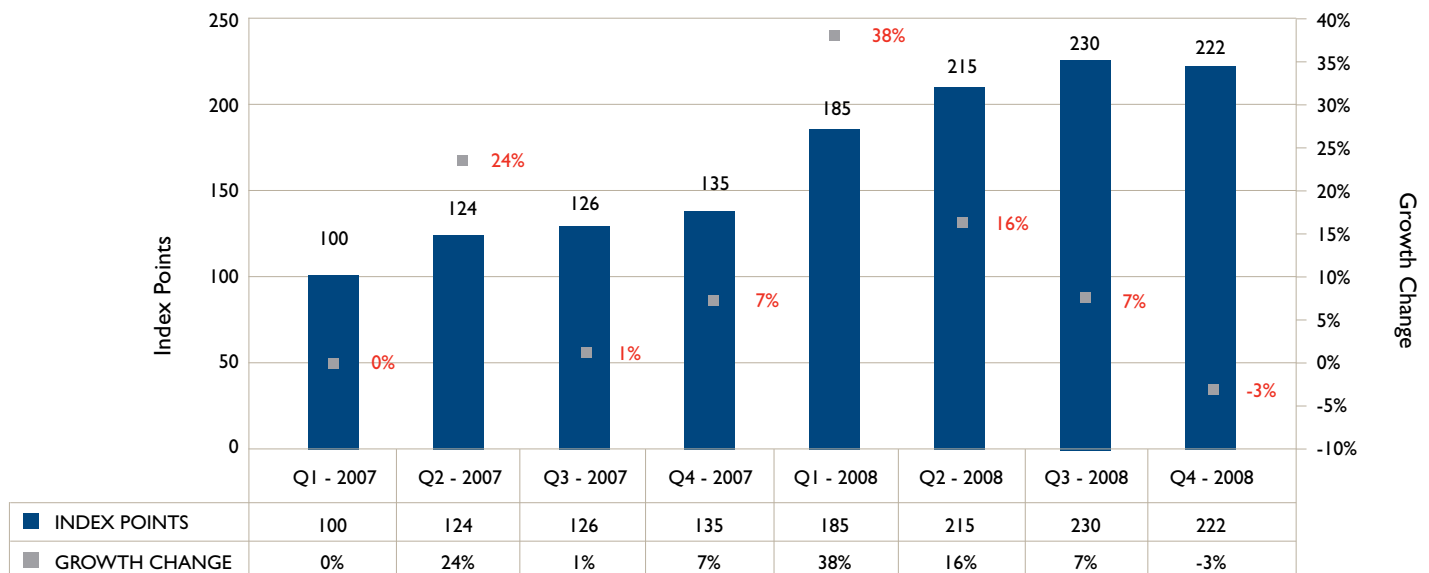
The Annual Overall Villa Index increased by 65% in Q4 2008, compared to Q4 2007. The index increased to reach a total of 222 points.

The scarcity of completed villa projects compared to other types of property and the high demand for villas from expatriate end-users added to the increase of the Index value.

The average blended rate per ft<sup>2</sup> for villas in Dubai in Q4 2008 was AED 1,607 (AED 17,298/m<sup>2</sup>).

Villas constituted 10% of the total mortgaged properties used to compile this Index.

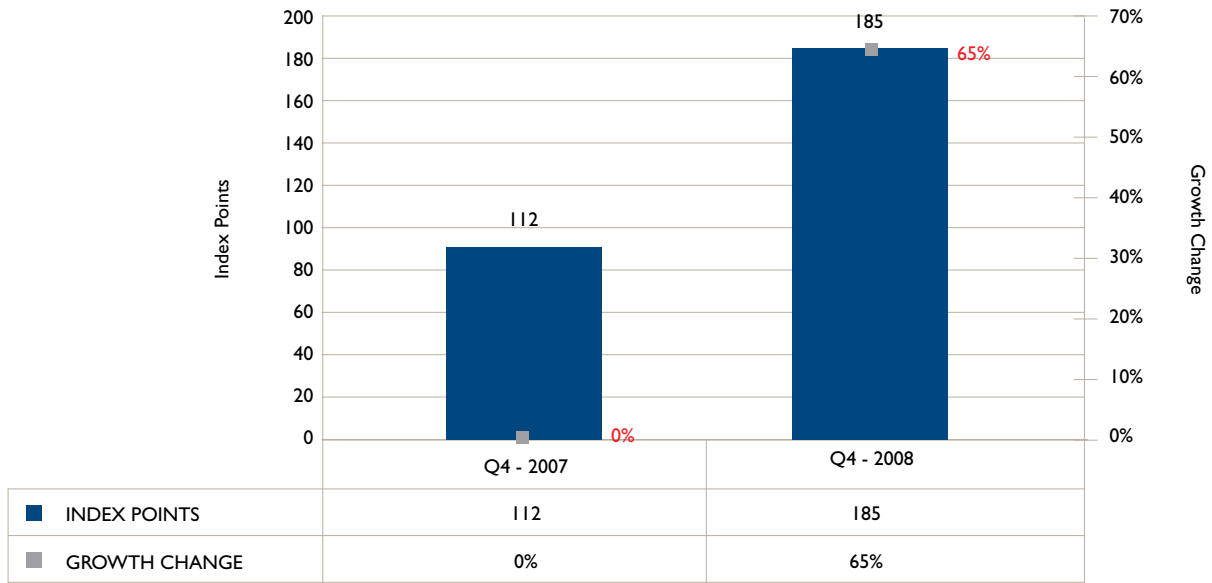
## QUARTERLY OVERALL VILLA INDEX



The Quarterly Overall Villa Index decreased by 3% in from Q3 2008 to Q4 2008 to a level of 222 index points. Lower price levels in Jumeirah Park and Arabian Ranches were the predominant cause for the decline in the index. Villa prices in Q4 2008 are similar to prices recorded in July 2008.

The average blended rate per ft<sup>2</sup> for villas in Dubai in Q4 2008 was AED 1,607 (AED 17,298/m<sup>2</sup>).

## ANNUAL OVERALL TOWNHOUSE INDEX

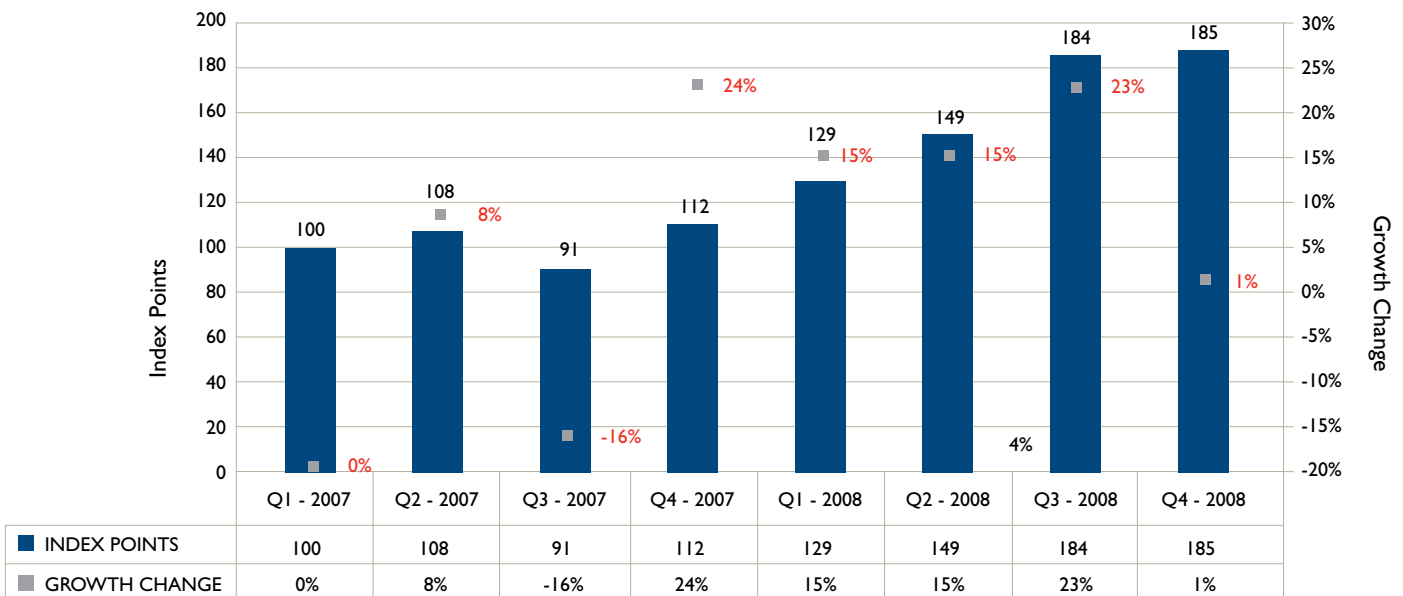


The annual price index increased from 112 points in Q4 2007 to 185 points in Q4 2008, indicating an increase of 65%.

Townhouses constituted 16% of the total mortgaged properties used to compile this index.

The average blended rate per ft<sup>2</sup> for townhouses in Dubai in Q4 2008 was AED 1,468 (AED 15,802/m<sup>2</sup>).

## QUARTERLY OVERALL TOWNHOUSE INDEX



Prices of townhouses in Q4 2008 enjoyed a marginal increase from those achieved in Q3 2008. The index rose by 1% to reach 185 points compared to 184 points in Q3 2008, supported mainly by price increases in Jumeirah Village. This sector has therefore shown greater resilience to the downward forces being

experienced in the residential market as a whole during the fourth quarter.

The average blended rate per ft<sup>2</sup> for townhouses in Dubai in Q4 2008 was AED 1,468 (AED 15,802/m<sup>2</sup>).

## ABOUT THE INDEX

The Colliers International House Price Index (HPI) was established in January 2008 by Colliers International UAE and six leading banks / financial institutions in the Emirate of Dubai. Now, with six banks / financial institutions, the index provides statistics specifically aimed at reflecting the average growth / decline in the rate of house prices across certain foreign ownership areas in Dubai, United Arab Emirates. The data that forms the basis of the indices presented in the HPI has been provided by all the member financial institutions and relates to properties which have been mortgaged through these member institutions. The member banks / financial institutions associated with the Colliers International House Price Index are as follows:

- HSBC Bank Middle East Limited
- Barclays Bank PLC
- Amlak Finance PJSC
- Dubai Islamic Bank PJSC
- Emirates NBD
- Abu Dhabi Commercial Bank (ADCB)

The weighted average method is used to construct the Overall Index. Based on coverage of 14 developments in Dubai, the weighting has been apportioned on the basis of unit type (apartment, villa or townhouse). Apartments, villas and townhouses have been weighted at 55%, 34% and 11% respectively in order to provide an accurate representation of market trends.

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## TOP 5 DEVELOPMENTS BY VALUE:

Rank	Development
1	The Palm Jumeirah – Villas
2	Downtown Burj Dubai
3	The Palm Jumeirah – Apartments
4	The Greens
5	Dubai Marina

## TOP 5 DEVELOPMENTS BY NUMBER OF TRANSACTIONS:

Rank	Development
1	Dubai Marina
2	Jumeirah Lake Towers
3	The Springs
4	Jumeirah Beach Residence
5	Downtown Burj Dubai

### HSBC Bank Middle East Limited

Mr. Adrian R Quince  
Regional Manager – Home Finance

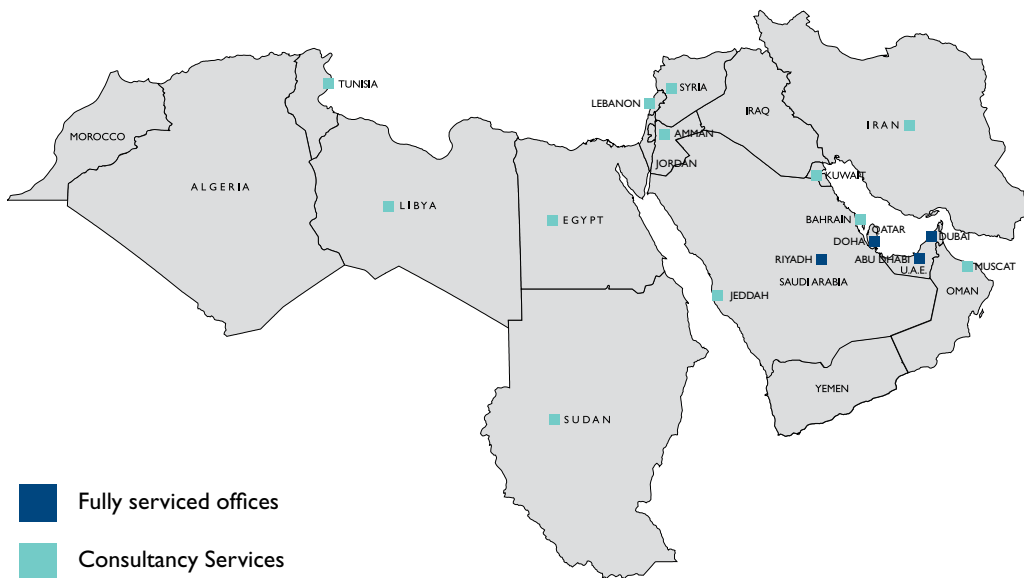
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US\$2.0bn in revenues  
 868 million ft<sup>2</sup> under management  
 Over 11,000 Professionals

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This index overview is extracted from a comprehensive Dubai House Price Index available to subscriber banks and developers from Colliers International U.A.E.

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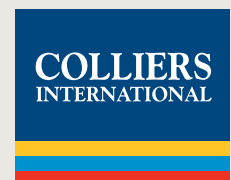
Commercial  
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