



# Colliers International House Price Index

CONSULTANCY | FIRST QUARTER | 2008

## INTRODUCTION

The Colliers International House Price Index (HPI) was established in January 2008 by Colliers International U.A.E. and five leading banks / financial institutions in the Emirate of Dubai. The index is designed to reflect the average growth / decline rate of residential property prices across certain foreign ownership areas of Dubai, United Arab Emirates. The data that forms the basis of the indices presented in this HPI has been provided by the member financial institutions and relates to properties which have been mortgaged through these 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 PJSC
- Dubai Islamic Bank
- Emirates NBD

The weighted average method was used to construct the Overall House Price Index. Based on coverage of 13 developments in Dubai, weighting has been apportioned on the basis of unit types (Apartments, Villas or Townhouses). Apartments, Villas and Townhouses have been weighted at 55%, 34% and 11% respectively in order to provide an accurate representation of market trends.

In addition to the above we have used Q1 2007 as the base quarter for the index; therefore Q1 2007 prices equate to 100 index points.

## SUMMARY OF MAIN FINDINGS

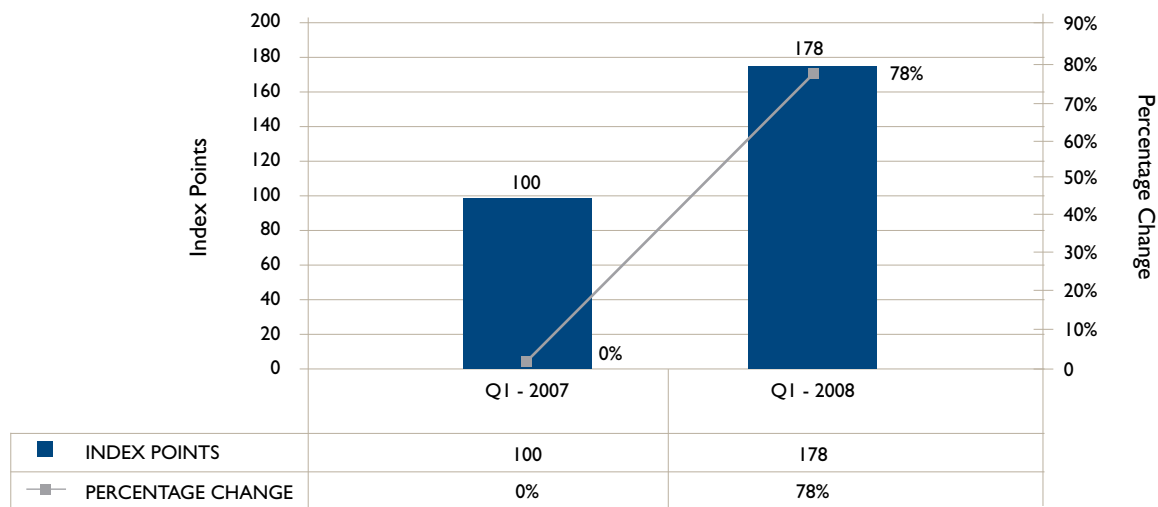
- A quarterly change for the overall index of 42% between Q4 2007 and Q1 2008.
- A year on year increase of 78% between Q1 2007 and Q1 2008.
- The blended average rate per ft<sup>2</sup> for residential property in Dubai in the first quarter of 2008 was AED 1,579 (AED 16,996 per m<sup>2</sup>).
- Apartment prices increased by 82% in total since the base quarter.
- Villa prices increased by 85% in total since the base quarter.
- Townhouse prices increased by 29% in total since the base quarter.



**COLLIERS  
INTERNATIONAL**

[www.colliers.com](http://www.colliers.com)

## ANNUAL OVERALL DUBAI FOREIGN OWNERSHIP INDEX



The Annual Overall Dubai Foreign Ownership Index indicates that there has been an increase in the index value in Q1 2008 in comparison to Q1 2007 (the base quarter). This increase has been calculated at a rate of 78% which equates to 78 index points.

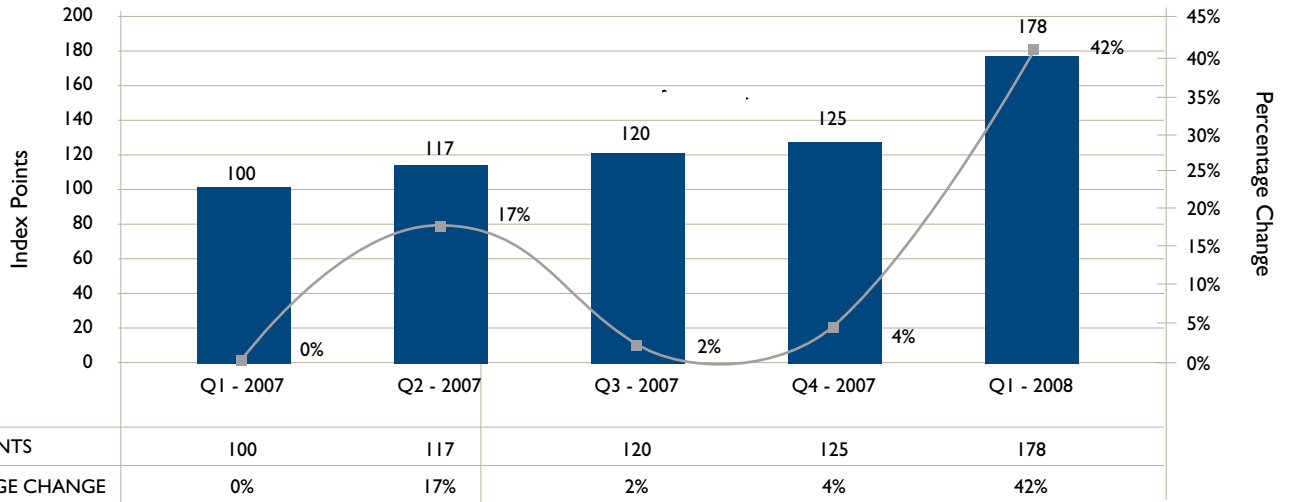
Property prices in foreign ownership zones continue to increase; this has been driven by strong demand for properties from pure investors, speculators and end users.

There are many reasons for the increased demand for properties in these foreign ownership zones, including the following:

- The economy of the United Arab Emirates, and specifically Dubai, is achieving high growth rates in real GDP. The Emirate of Dubai's real GDP is growing at a rate of 11% per annum. The expansion of existing organisations and the entry of new companies in the context of robust economic conditions has intensified demand for staff. This has manifested itself in the influx of approximately 200,000 new workers last year with an estimated annual growth rate of 7.32% until 2010 <sup>(1)</sup>. Although much of this population growth is contributed by the continuous influx of Asian blue-collar labour, demand for white-collar expatriate housing nevertheless still outweighs current supply.
- A large number of banks and financial institutions, national, regional and international, are now providing competitive mortgage facilities for both residents and non residents. The competitive interest rates (6.9% - 8%), high loan to value ratio and payment terms offered by these mortgage providers are helping to open up the mortgage market to end-users and investors alike. People who would previously have had difficulty obtaining mortgage finance now have numerous options available to them. In addition to these favourable mortgage options, the process for mortgage approval is now becoming faster and less laborious.
- Increasing residential rental rates in Dubai, averaging AED 88 per ft<sup>2</sup> (AED 950 per m<sup>2</sup>), are making ownership more appealing and cost-effective for end users.
- The decline in value of the dollar-pegged U.A.E. Dirham in relation to other global currencies has enhanced the attractiveness of Dubai property to expatriates. The Dirham started declining in the first half of 2007 and there continued to be a downward trend in the following months. The value declined by 6.3% against the British Pound, 5.5% against the Euro, 2% against the Swiss Franc and 2.4% against Special Drawing Units of the International Monetary Fund. <sup>(2)</sup>
- Increasing construction costs are also causing an increase in the sales price of newly launched developments in Dubai. Construction costs are expected to rise by 18% - 20% by the end of 2008. <sup>(3)</sup> Whilst developers' profit margins have reduced as a result, part of this cost increase has also been shouldered by the buoyant investment market.
- The decline in the U.A.E. financial markets has led to investors withdrawing their investments from the stock market and investing in the property market for higher and safer returns. This action has again increased demand for property in Dubai. Also, investor demand has been further driven by increased liquidity due to high global oil prices and the repatriation of capital away from traditional western markets back into the region.
- The sub-prime crisis in the United States and Europe has increased the number of local / international investors and REIT's investing in Dubai in an attempt to recoup losses in their own market.
- The average blended rate per ft<sup>2</sup> for developed property in Dubai in the first quarter of 2008 was AED 1,579 (AED 16,996 per m<sup>2</sup>).

(1) Dubai Statistics Centre (2) U.A.E Central Bank figures published in Emirates Business 24 / 7 (3) Construction Cost Bulletin by EC Harris

## QUARTERLY OVERALL DUBAI FOREIGN OWNERSHIP INDEX

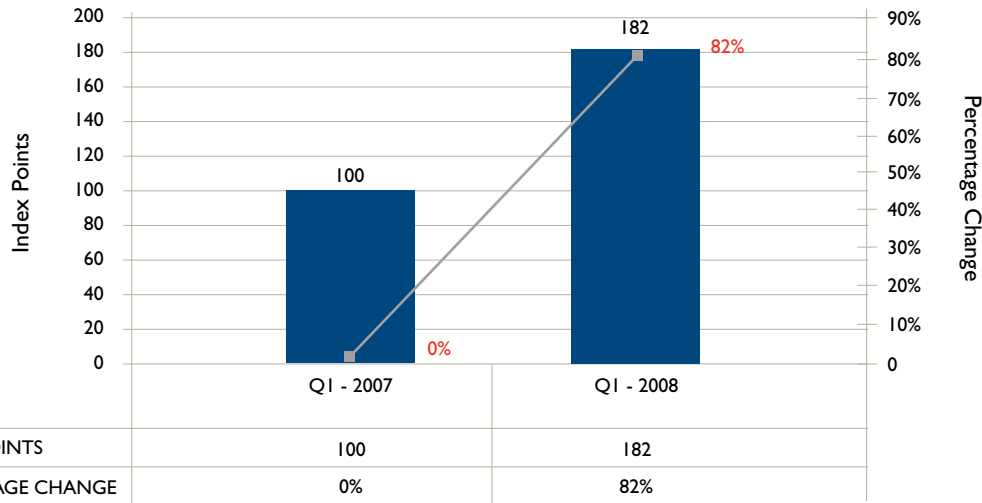


- Property prices in Dubai continued to increase in each quarter between Q1 2007 and Q1 2008.
- Q1 2008 showed the highest increase per quarter from the base quarter. During Q1 2008 the index rose by 42% to reach 178 index points.



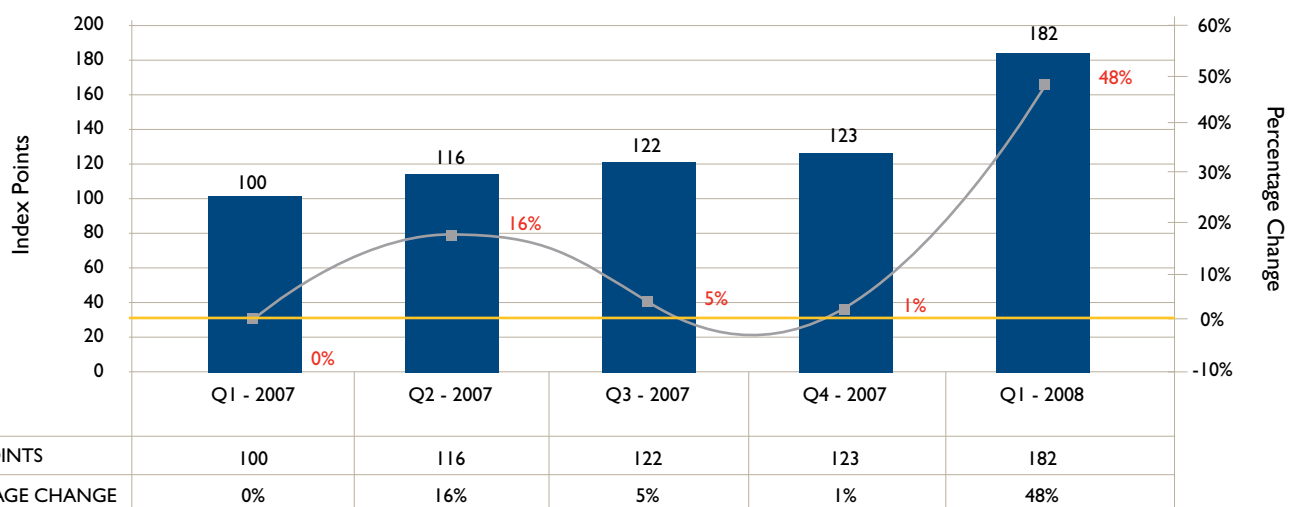
## TYPE OF PROPERTY INDEX

### ANNUAL OVERALL APARTMENT INDEX



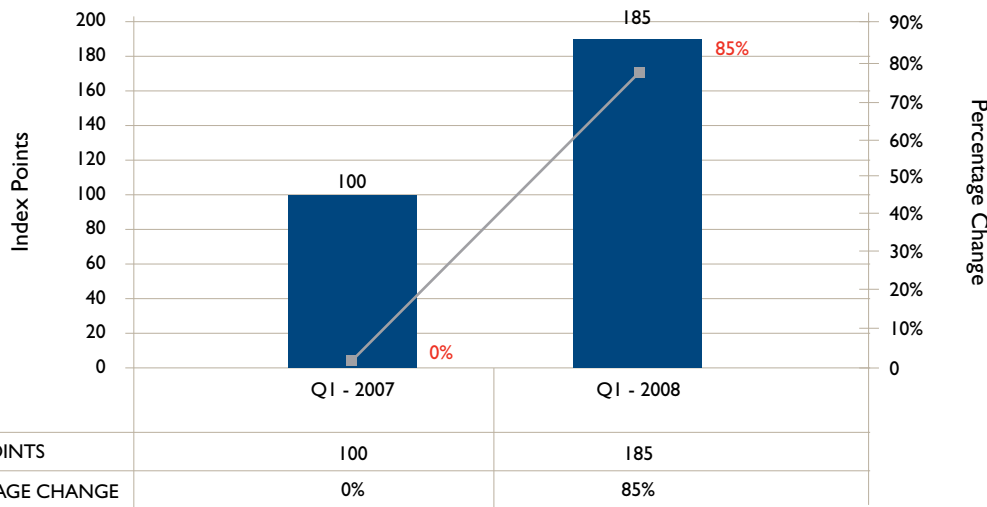
- The Annual Overall Apartment Index increased by 82% in Q1 2008, compared to Q1 2007. The index rose to 182 points.
- There was an increase in the number of completed apartments released onto the open market during Q1 2008. This was particularly evident in Dubai Marina, The Palm Jumeirah and Downtown Burj Dubai. This influx of additional supply available for purchase positively affected the average rate per ft<sup>2</sup> for apartments, increasing it to record levels of AED 1,841 (AED 19,817 per m<sup>2</sup>).
- The demand for apartments both completed and under construction remained high during this period, in the context of continued undersupply at the macro level. In addition, the interim launch of new projects in the same location at a higher rate per ft<sup>2</sup> inflated prices in the overall development.
- Apartments constituted 64% of the total mortgaged properties used to collate this Index.

### QUARTERLY OVERALL APARTMENT INDEX



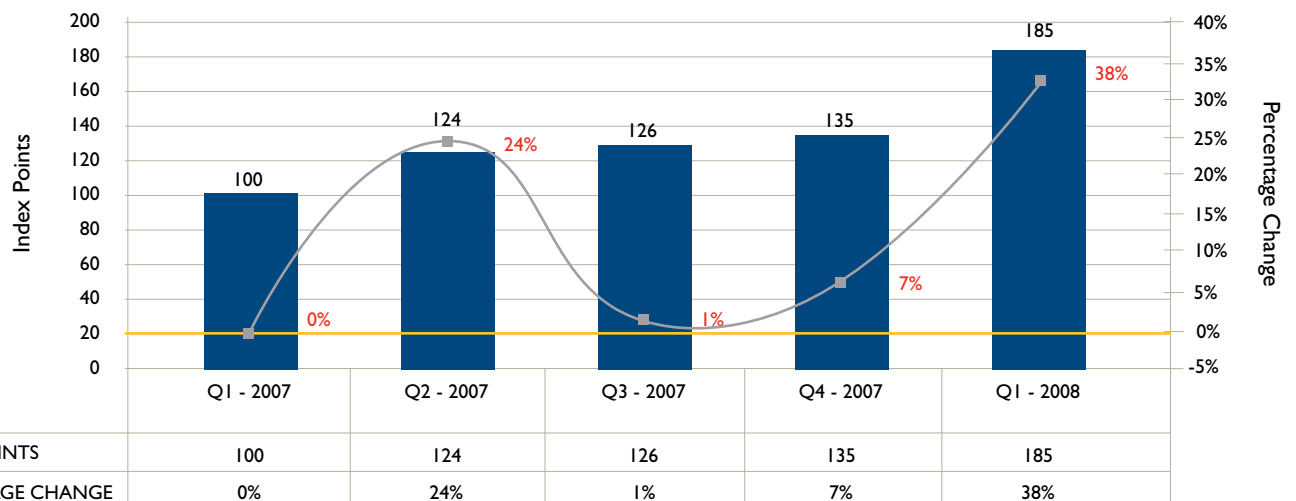
- The Quarterly Overall Apartment Index increased steadily from Q1 2007 to Q1 2008. The most significant increase was in Q1 2008. The index rose by 48% between Q4 2007 and Q1 2008 to reach 182 points.
- The average blended rate per ft<sup>2</sup> for apartments in Dubai in Q1 2008 was AED 1,841 (AED 19,817 per m<sup>2</sup>).

## ANNUAL OVERALL VILLA INDEX



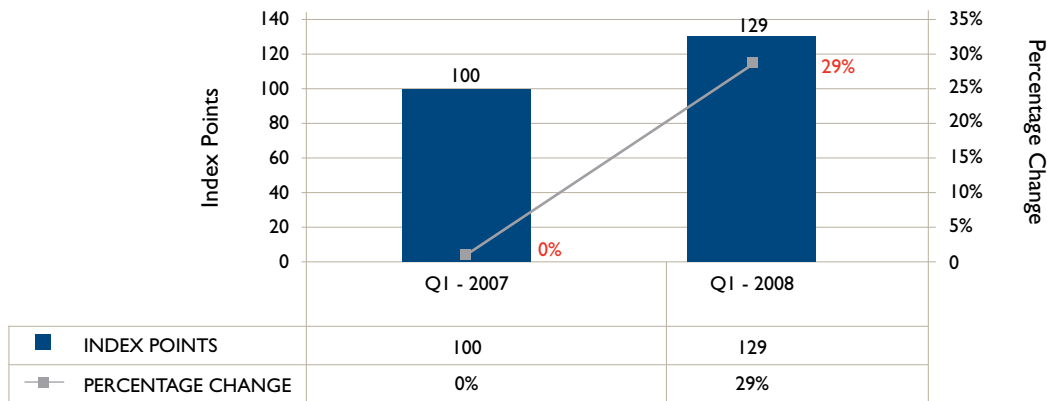
- The Annual Overall Villa Index increased by 85% in Q1 2008, compared to Q1 2007. The index increased to reach a total of 185 points.
- Demand for villas remains particularly high given the relative scarcity of villas when compared to apartments.
- More dwellings are under construction and are due to be delivered between the end of 2008 and the middle of 2009 such as Jumeirah Park and Jumeirah Village.
- Villas constituted 21% of the total mortgaged properties used to collate this Index.

## QUARTERLY OVERALL VILLA INDEX



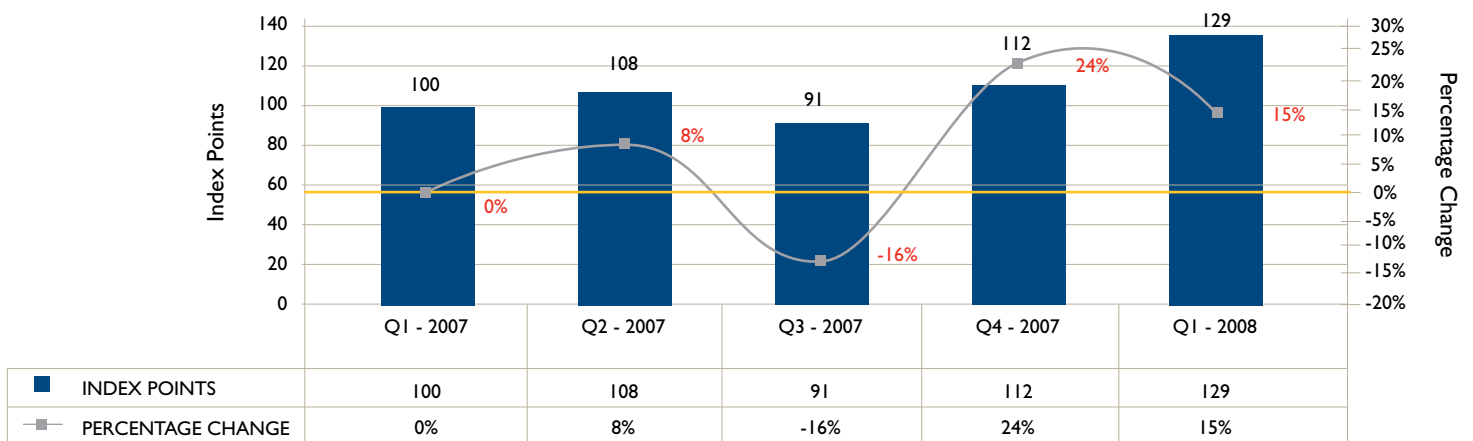
- The Quarterly Overall Villa Index continued to increase throughout 2007 and Q1 of 2008.
- The highest increase was in Q1 2008 with the index increasing by 38% from 135 points in Q4 2007 to 185 in Q1 2008.
- The blended average rate per ft<sup>2</sup> for villas in Dubai in the Q1 2008 was AED 1,338 (AED 14,402 per m<sup>2</sup>).

## ANNUAL OVERALL TOWNHOUSE INDEX



- The growth of townhouses during the index period was slower than for Apartments and Villas.
- The annual index increased from 100 points in Q1 2007 to 129 points in Q1 2008 representing a 29% increase.
- Townhouses constituted 15% of the total mortgaged properties used to collate this index.

## QUARTERLY OVERALL TOWNHOUSE INDEX



- In Q3 2007 the Quarterly Overall Townhouse Index for Dubai declined by 16%, reaching 91 index points. This was mainly attributable to a fall in prices evident in developments such as The Springs, Arabian Ranches and Jumeirah Village.
- The largest increase occurred in Q4 2007 where the index increased by 24% in this quarter to reach 112 index points.
- The average blended rate per ft<sup>2</sup> for townhouses in Dubai in the first quarter of 2008 was AED 1,024 (AED 11,022 per m<sup>2</sup>).

## CONTRIBUTORS' DETAILS

### Amlak Finance PJSC

Mr. Rajev Sehgal

Senior Vice President – Credit and Risk

Eng. Yasser Mohammed Asser

Assistant Vice President – Property Appraisal

Mr. Aiman Gamee

Junior Accountant - Property Appraisal

### Emirates NBD

Mr. Parvinder Singh

Business Head – Mortgages

### Barclays Bank PLC

Mr. Salman Irshad

Head of Retail Credit (U.A.E)

Mr. Michael Dyson

Senior Lending Manager Mortgages – Credit Risk

### HSBC Bank Middle East Limited

Mr. Adrian R Quince

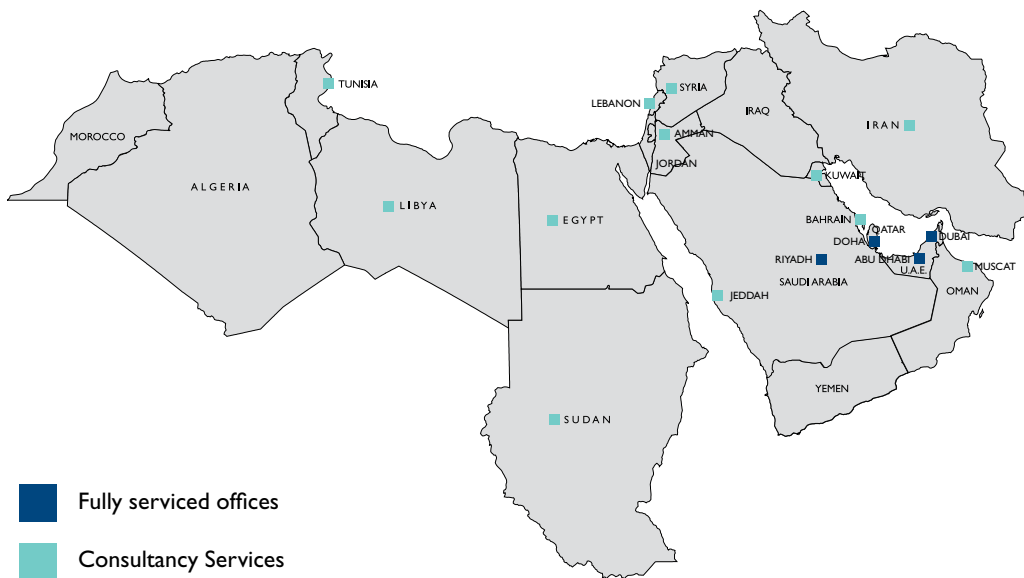
Regional Manager – Home Finance

### Dubai Islamic Bank

Mr. Mehmood Majid Palla

Credit Policy Manager – Home Finance

**Colliers International UAE**  
 Advising across the MENA region since 1996



OVER 290 OFFICES  
 MORE THAN 60 COUNTRIES  
 6 CONTINENTS

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

**CONTACT INFORMATION**

Dubai  
 PO Box 71591  
 UAE  
 Tel: +971 4 3554177  
 Fax: +971 4 3554094

John D. Davis  
 Chief Executive Officer

Ian Albert  
 Regional Director  
 Consultancy Services

Catherine Clarke  
 Associate Director  
 Consultancy Services

[hpi@colliers-me.com](mailto:hpi@colliers-me.com)

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

Colliers International is a global real estate consultancy company providing a comprehensive range of property services to a broad range of clients on an international basis. Core services include property and asset management; leasing; development consultancy & strategic advisory; property valuations and international property investment services.

Market Research | Advisory | Valuations | Capital Investment | Agency | Property Management

Commercial  
 Retail  
 Residential  
 Hospitality

© Colliers International UAE

Reproduction of the contents of this publication is prohibited without gaining prior permission from Colliers International.

The contents of this report is for information purposes only and should not be relied upon as a substitute for professional advice. Advice should be sought from Colliers International prior to acting in reliance upon any such information. The opinions, estimates and information provided herein are made by Colliers International and affiliated companies in its best judgment, in good faith and based as far as possible on sources deemed reliable. Notwithstanding, Colliers International and the affiliated companies do not provide warranty on the accuracy of, and disclaim any liability for errors and omissions made in respect of providing such information. This report does not constitute and should not be treated as investment advice.

"The National Investor Property Management (LLC)", doing business as Colliers International UAE, is a worldwide affiliation of independently owned and operated companies with over 290 offices throughout more than 60 countries worldwide.



[www.colliers.com](http://www.colliers.com)