



# Colliers International House Price Index

DUBAI | THIRD QUARTER | 2008

## SUMMARY

The Annual Overall Index indicates an 80% increase in the index value in Q3 2008 compared to Q3 2007. The index has risen to 216 index points from the base quarter (Q1 2007).

The overall growth rate slowed from 16% in Q2 2008 to 5% in Q3 2008. Nevertheless, this 5% growth remains significant, given the current international financial crisis and the negative impact caused by this crisis worldwide in terms of investor sentiment and liquidity constraints. The growth rate for Q3 2008 was higher than the growth rate for same the period last year where the index rose by only 2%.

## INDEX RESULTS

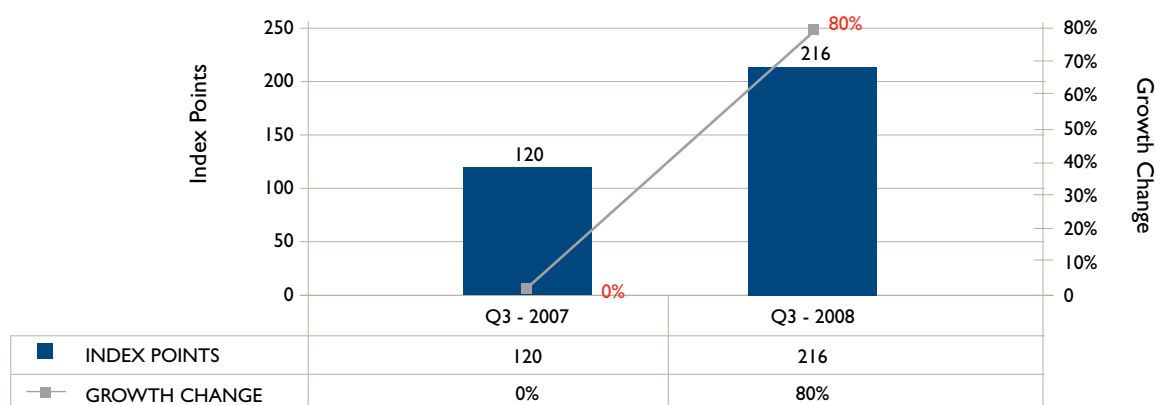
- A quarterly upward change for the overall index of 5% between Q2 2008 and Q3 2008.
- A year on year increase of 80% between Q3 2007 and Q3 2008.
- The blended average rate per ft<sup>2</sup> for residential property in Dubai in Q3 2008 was AED 1,919 (AED 20,656 per m<sup>2</sup>).
- Apartment prices increased by 76% in Q3 2008 compared to Q3 2007.
- Villa prices increased by 83% in Q3 2008 compared to Q3 2007.
- Townhouse prices increased by 103% in Q3 2008 compared to Q3 2007.



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## ANNUAL OVERALL DUBAI FOREIGN OWNERSHIP INDEX



The Annual Overall Index indicates that there has been an 80% increase in the index value in Q3 2008 compared to Q3 2007. The index has risen to 216 index points from the base quarter (Q1 2007).

The index results for the Q3 2008 period may be analysed in two ways, by defining the factors that influenced the overall growth in property prices and those that led to a reduction in the growth rate from the previous quarter.

The 5% increase in property prices may be attributed to the following factors:

- Increasing residential rental rates in Dubai, particularly in townhouses and villas, made ownership more appealing and cost-effective for expatriate residents.
- The supply side inflationary pressures on the real estate and construction sector in Dubai have led to an escalation in residential property prices. U.A.E economic inflation increased to 11.1% in 2007<sup>(1)</sup> and is expected to increase to 12% this year.<sup>(2)</sup>
- Projects at or near handover appear to have enjoyed a significant increase in their prices as the mass of speculative investors exit their holding of the development and long-term investors or end-users enter.
- Construction delays made public by developers have led to increased demand for completed properties. End-users require short timeframes for immediate occupation while long term investors are also seeking properties with similar delivery timeframes to take advantage of rental returns.
- Local mortgage providers were still providing competitive loan to value ratios (LTV) and interest rates thus supporting the investment in foreign ownership zones.

The slowdown in the growth from the previous quarter may be attributed to the following factors:

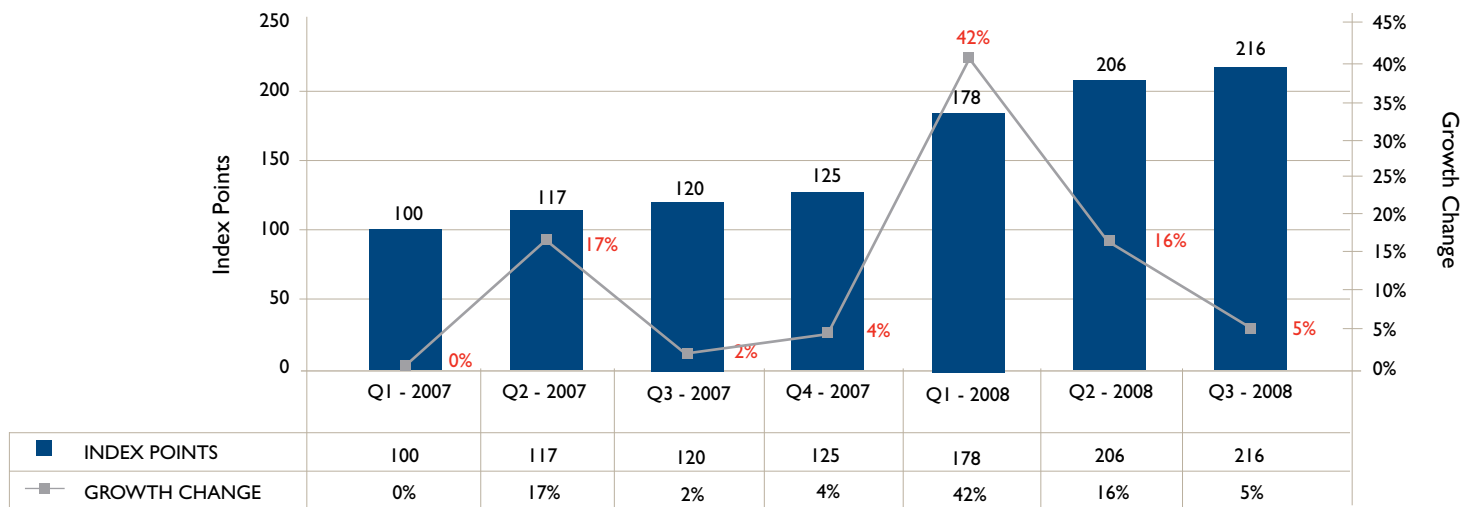
- A seasonal slowdown caused by the summer vacation, the holy month of Ramadan and Eid Al Fitr holidays.
- The global financial crisis: the negative sentiment created by this crisis has impacted investors confidence and created liquidity constraints on residential property within the region.
- The increase in the U.A.E Dirham value which resulted from the U.S Dollar appreciation, led to properties from developing countries becoming a more enticing opportunity for international investors. Investors are now considering buying assets in markets that are suffering heavily from the financial crisis such as the U.S and the U.K.
- The decline in oil prices have led to fears that oil rich countries in the MENA region, such as the U.A.E, may not be able to continue planned development projects. Oil revenues remain a large source of financing for large development projects within the UAE. It should be noted that the U.A.E's oil break-even price is set at \$23<sup>(3)</sup> per barrel and therefore oil prices will have to fall significantly lower to allow for a depletion of these revenues to happen.
- The significant losses suffered in the equity markets in the region, particularly in the Dubai Financial Market and the Abu Dhabi Security Exchange. Publicly listed real estate companies suffered losses in share prices as investors are uncertain about the future of these developers and their ability to be profitable in the future.

(1) Official figures by U.A.E Ministry of Economy. (2) Estimates by Merrill Lynch.

(3) International Monetary Fund estimates stated in The Regional Economic Outlook: Middle East and Central Asia published in October 2008



## QUARTERLY OVERALL DUBAI FOREIGN OWNERSHIP INDEX



Property prices in Dubai continued to increase in Q3 2008. The index rose 10 points to reach 216 basis points, a 5% increase from Q2 2008. The growth rate for this quarter was slower than the previous quarter, however the index growth in Q3 2008 was higher when compared to Q3 2007 where it increased by only 2%.

The slowdown may be attributed to a seasonal slowdown resulting from the traditional summer vacation period, the holy month of Ramadan and the Eid holidays.

The blended average rate per ft<sup>2</sup> for residential property in Dubai in the Q3 2008 was AED 1,919 (AED 20,656 per m<sup>2</sup>).

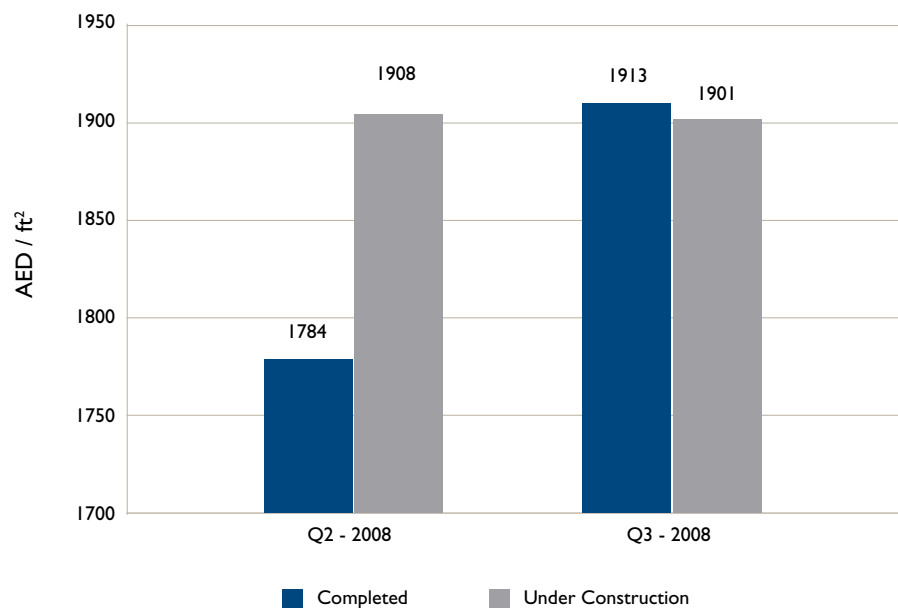


## DUBAI FOREIGN OWNERSHIP INDEX

### Completed Versus Incompleted Property

In order to establish the true nature of property transactions within Dubai, we felt it was necessary to separate the transactions relative to properties which are completed from those under construction. To provide further clarification we have separated these transactions again by removing the Downtown Burj Dubai development from the index as it was felt that this high performance area had a skewing effect on the index results as a whole.

#### Including Downtown Burj Dubai



The average rate per ft<sup>2</sup> for completed property increased from AED 1,784 (AED 19,202 per m<sup>2</sup>) in Q2 2008 to AED 1,913 (AED 20,592 per m<sup>2</sup>) in Q3 2008. An increase of 7% driven by price increases in The Springs, Jumeirah Beach Residence, Arabian Ranches and The Palm Jumeirah. Average rates per ft<sup>2</sup> for properties under construction declined slightly (-0.4%) to reach AED 1,901 (AED 20,462 per m<sup>2</sup>) in Q3 2008 compared to AED 1,908 (AED 20,538 per m<sup>2</sup>) in the previous quarter.

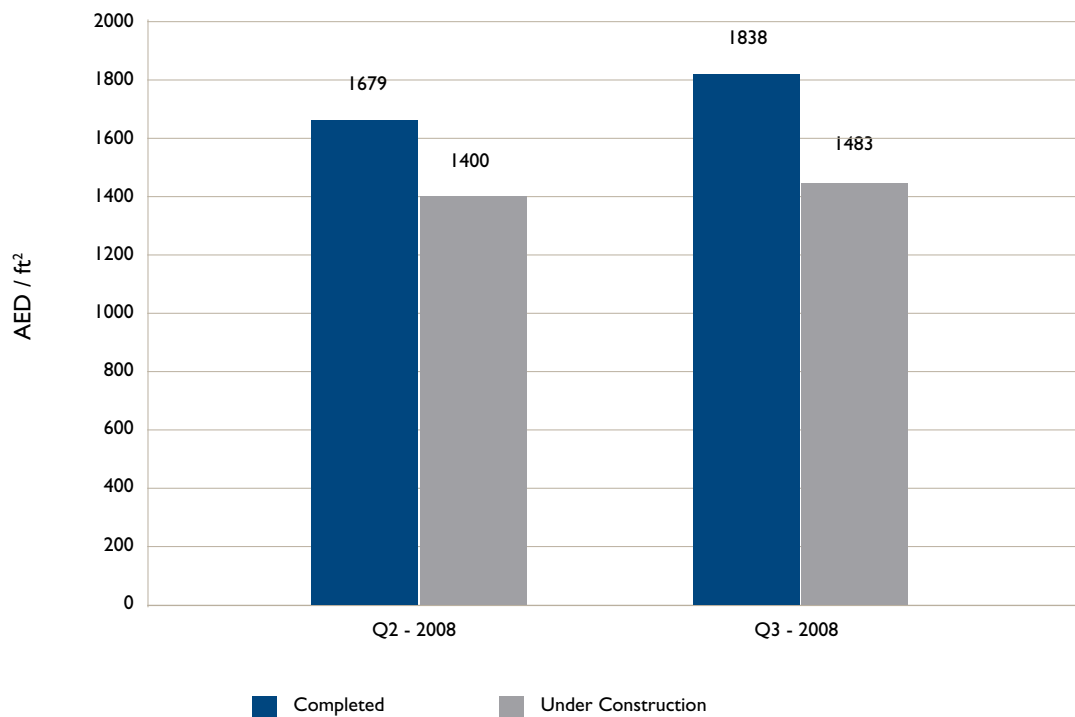
In Q2 2008 prices of properties under construction were higher than completed properties, driven by strong speculative activities in the off-plan sector. However, in Q3 2008 the average rates per ft<sup>2</sup> for completed and properties under construction were almost at the same level. Demand for completed properties has driven prices upwards and made the rates for completed properties modestly higher (0.6%) than under construction properties.

### 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%

## Completed Versus Incompleted Property

Excluding Downtown Burj Dubai



Excluding Downtown Burj Dubai development from the index, the average rate per ft<sup>2</sup> for completed properties increased 9% from AED 1,679 (AED 18,073 per m<sup>2</sup>) in Q2 2008 to reach AED 1,838 (AED 19,784 per m<sup>2</sup>) in Q3 2008. The average rate per ft<sup>2</sup> for properties under construction increased 6% to reach AED 1,483 (AED 15,963 per m<sup>2</sup>) in Q3 2008.

Excluding this development from the index led to a reduction in the average rates per ft<sup>2</sup> for both completed and uncompleted properties. This was particularly evident in prices of properties under construction, where it dropped radically from AED 1,901 (AED 20,462 per m<sup>2</sup>) to AED 1,483 (AED 15,963 per m<sup>2</sup>).

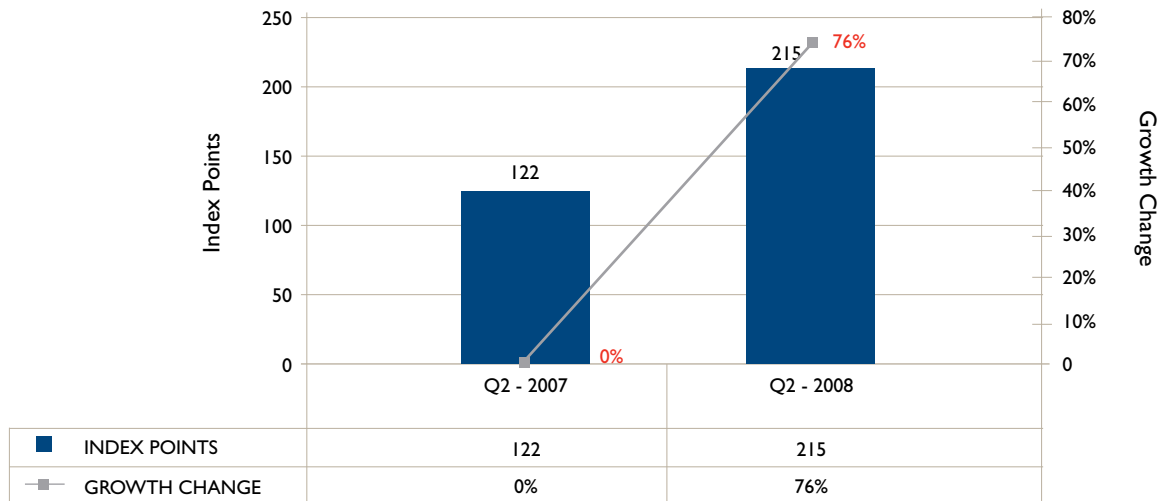
The spike in average rates ft<sup>2</sup> caused by the Downtown Burj Dubai development is clearly significant and it should be noted that the performance of this development substantially skews the entire index.

### 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%

## TYPE OF PROPERTY INDEX

### ANNUAL OVERALL APARTMENT INDEX



The Annual Overall Apartment Index increased by 76% in Q3 2008, compared to Q3 2007. The index rose to 215 points from 122 points.

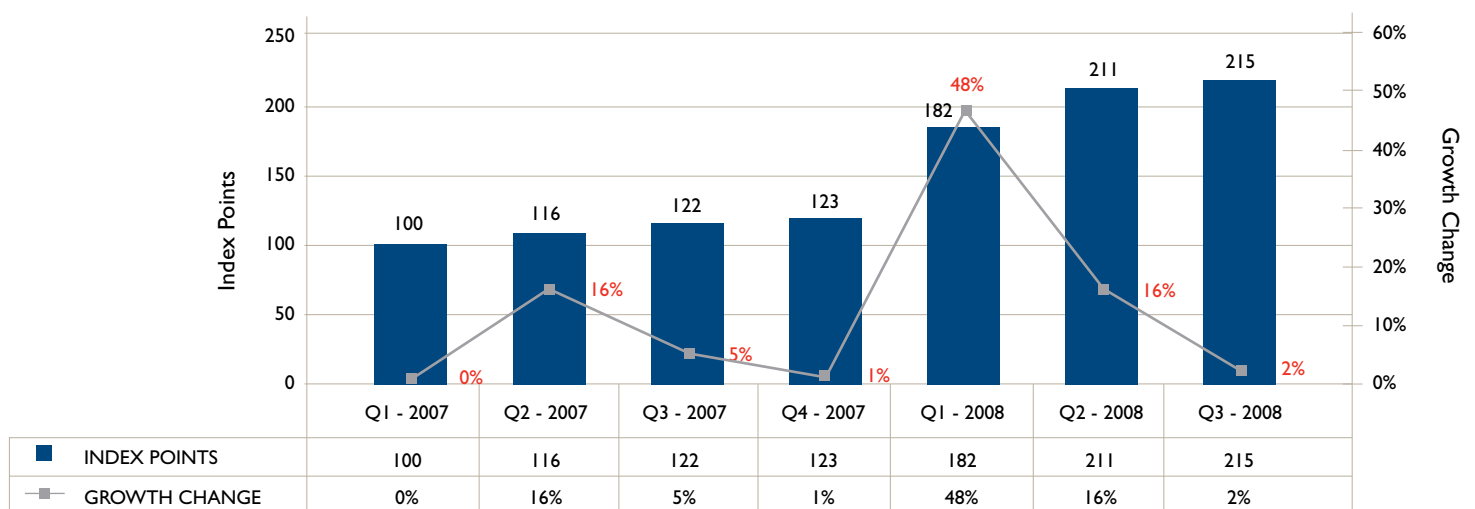
The continuous increase in prices of apartments in developments such as Downtown Burj Dubai, Jumeirah Beach Residence, The Palm Jumeirah and Jumeirah Lake Towers has positively affected the Q3 index. The high demand for units in these developments is driven by factors such as the location and their

perceived prestige. It also should be noted that completion of additional dwellings in these developments increased the demand from long term investors and end-users.

The blended average rate per ft<sup>2</sup> for apartments in Dubai in Q3 2008 was AED 2,171 (AED 23,369 per m<sup>2</sup>).

Apartments constituted 69% of the total mortgaged properties used to collate this Index.

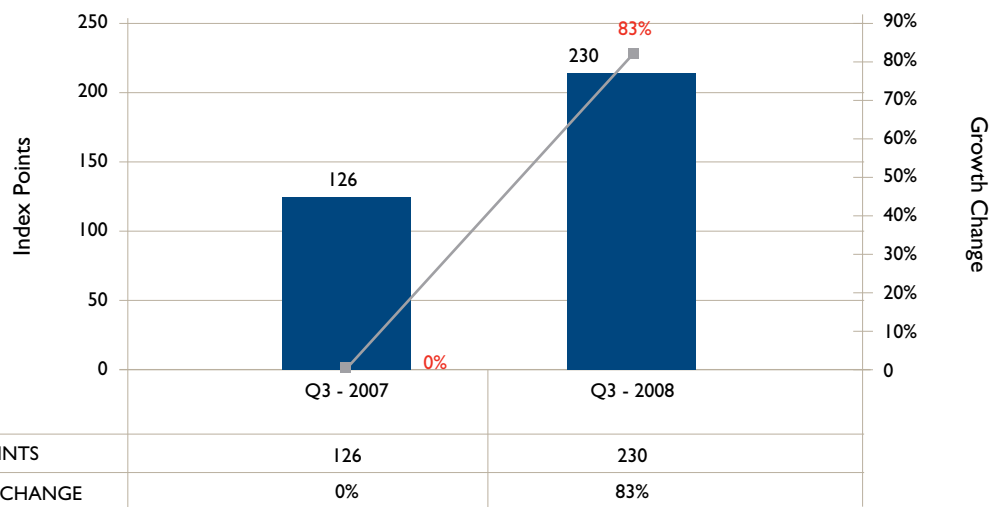
### QUARTERLY OVERALL APARTMENT INDEX



The Quarterly Overall Apartment Index increased in Q3 2008, however the growth in was slower than Q2 2008. The index increased 2% to reach 215 points compared to 211 points in the previous quarter.

The blended average rate per ft<sup>2</sup> for apartments in Dubai in Q3 2008 was AED 2,171 (AED 23,369 per m<sup>2</sup>).

## ANNUAL OVERALL VILLA INDEX



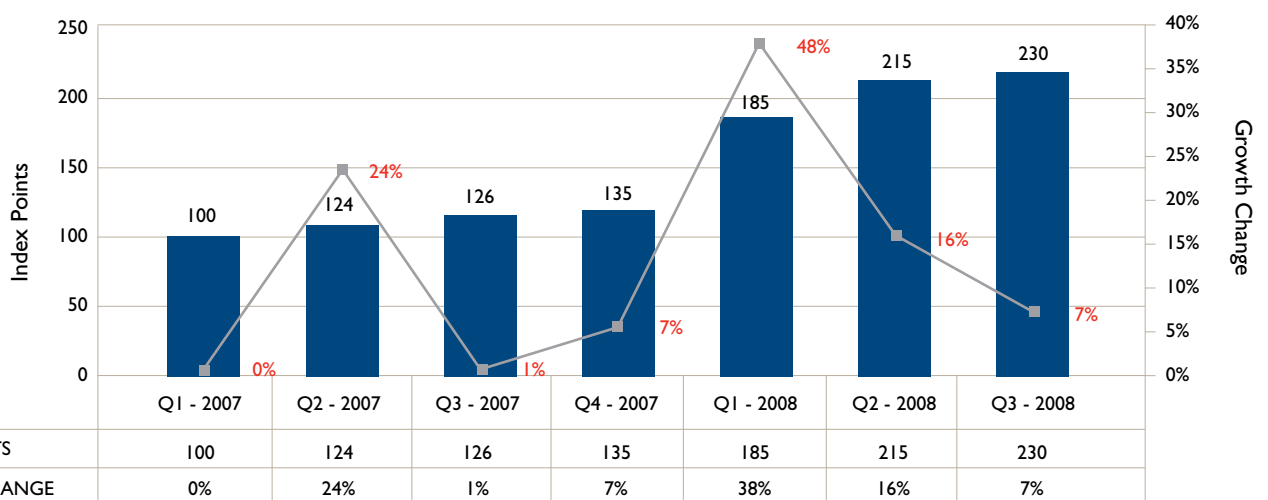
The Annual Overall Villa Index increased by 83% in Q3 2008, compared to Q3 2007. The index increased to reach a total of 230 points.

The scarcity of completed villas 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 Q3 2008 was AED 1,663 (AED 17,900 per m<sup>2</sup>).

Villas constituted 16% of the total mortgaged properties used to collate this Index.

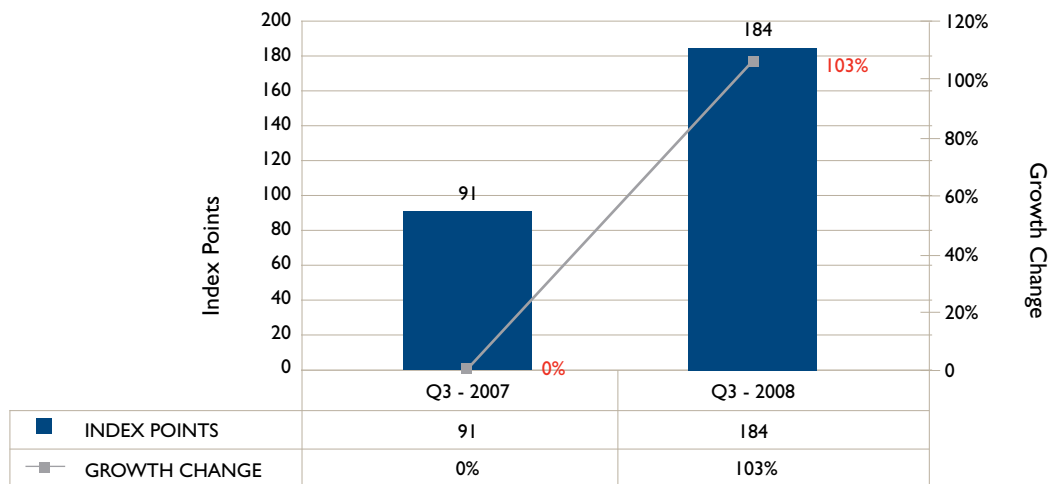
## QUARTERLY OVERALL VILLA INDEX



The Quarterly Overall Villa Index increased in Q3 2008 to reach 230 points, a 7% increase compared to Q2 2008. The highest increase was in Q1 2008 with the Index increasing 38% compared to Q4 2007.

The average blended rate per ft<sup>2</sup> for villas in Dubai in Q3 2008 was AED 1,663 (AED 17,900 per m<sup>2</sup>).

## ANNUAL OVERALL TOWNHOUSE INDEX

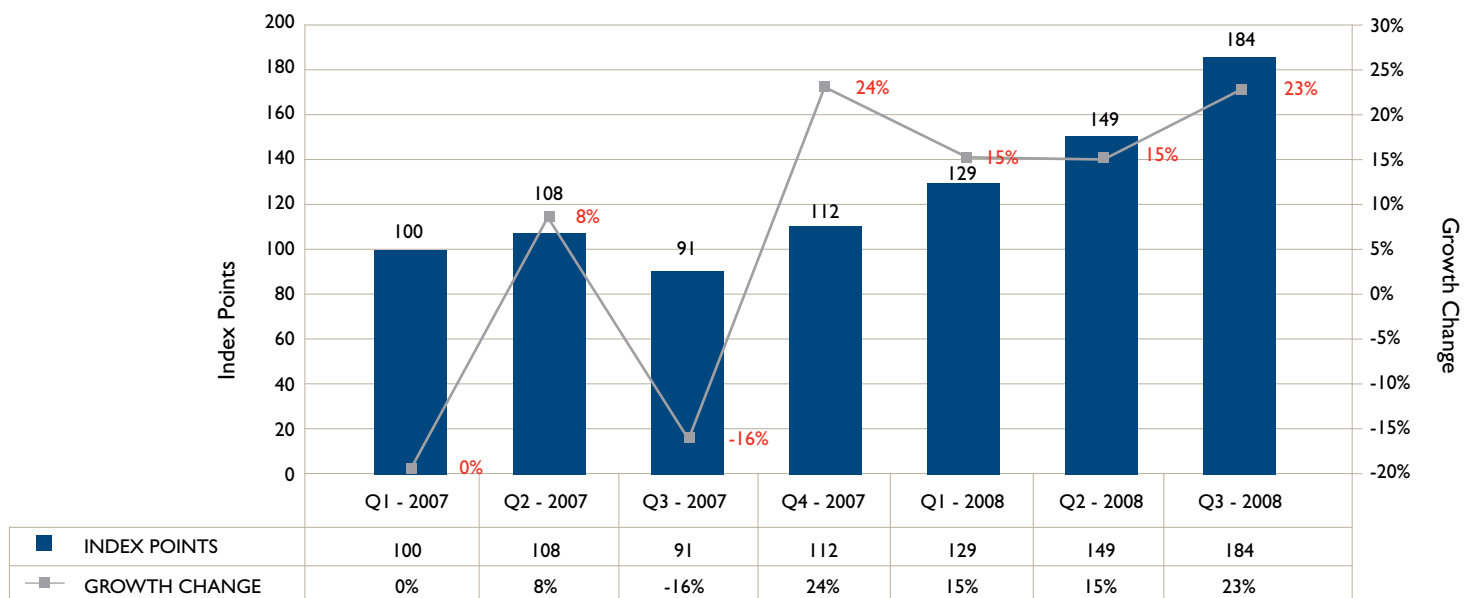


The annual Overall Townhouse Index increased from 91 points in Q3 2007 to 184 points in Q3 2008, representing an increase of 103%.

Townhouses constituted 15% of the total mortgaged properties used to collate this index.

The average blended rate per ft<sup>2</sup> for townhouses in Dubai in Q3 2008 was AED 1,458 (AED 15,694 per m<sup>2</sup>).

## QUARTERLY OVERALL TOWNHOUSE INDEX



Prices of townhouses in Q3 2008 increased at a higher rate than Q2 2008. The index rose by 23% to reach 189 points compared to 149 points in Q1 2008.

The average blended rate per ft<sup>2</sup> for townhouses in Dubai in Q3 2008 was AED 1,458 (AED 15,694 per m<sup>2</sup>).



## ABOUT THE INDEX

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 to provide statistics specifically designed to reflect the average growth / decline rate of house 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 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

We have used the weighted average method to construct the Overall Index. Based on our coverage of 14 developments in Dubai, 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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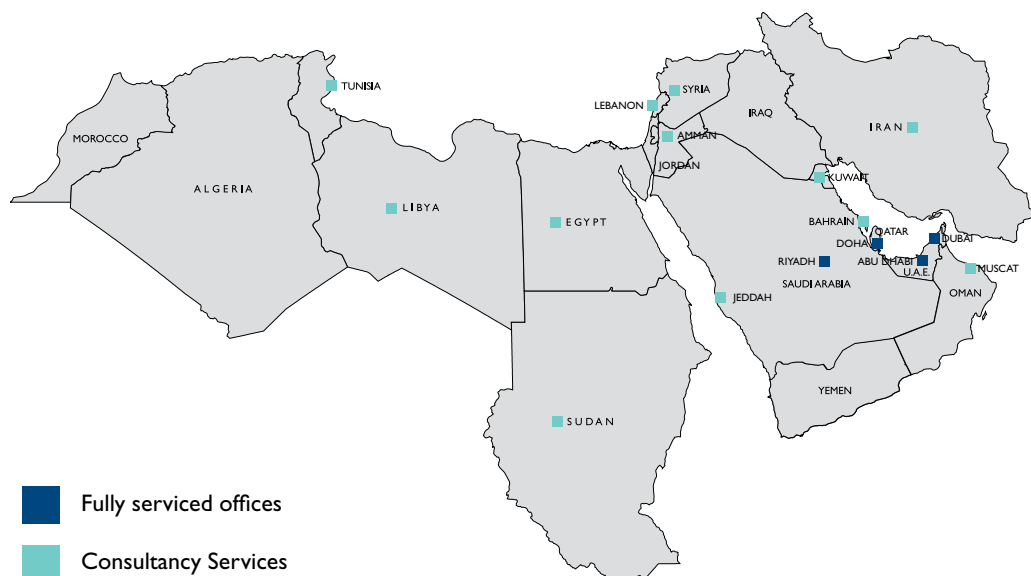
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This index overview is extracted from a comprehensive Dubai House Price Index available to subscriber banks and developers from Colliers International U.A.E.

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

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