Property markets face correction as oil struggles to revive

DOHA DATELINE / DR R. SEETHARAMAN

IN US the existing home inventory is at a current level of 1.85 million for December 2014, down from 2.08 million in November 2014 and down from 1.86 million one year ago. The current economic indicators of the US housing market health indicate they are stronger than their historical levels. UK property market is likely to remain subdued up until the general election in May 2015. Singapore's home prices fell four per cent in 2014.

The slump came as Singapore added more measures to rein in property values with some of the strictest measures, including capping total debt repayments at 60 per cent of a borrower's income. The recovery in China's property market remains fragile, with new-home prices rising in only one of 70 cities. Average prices fell 5.1 per cent from a year earlier, the biggest drop on record. The nation's first interest-rate cut since 2012 in November and the removal of property curbs have yet to revive an industry that became a drag on economic expansion last year. Low interest rates, low inflation and drop in oil prices can give room for bubbles in Japan property market. India property market hopes on rate cuts to revive its growth.

The volume of real estate loans provided by the Saudi banks to individuals and corporate amounted to SR 148.9 billion by the end of 2014.The loans value rose by 31 per cent compared with 2013 to reach 113.7 billion SAR. The individual property loans grew by 34 per cent to SR94.2 billion by the end of 2014 compared to SR70.3 billion in 2013 whereas corporate loans rose by 26 per cent to SR54.7 billion compared to SR43.4 billion. There is encouragement for accelerated new home delivery, encouraging real estate activity on unused land, are also under consideration on account of demand from surging population. However concerns of price due to fall in oil price also remain.

The UAE market is going through a correction and oil price fall will further impact property sales in the short to medium term, as investors from key oil dependent markets reign in investment. Dubai home prices climbed 18 per cent in 2014. In Abu Dhabi house prices would remain stable or fall slightly. Oil prices could have an impact on corporate sentiment which could be reflected in the office real estate prices. On the retail segment there could be some impact if consumption spending is impacted. On the residential side, weakening macroeconomic situation could dampen investor demand.

Real estate developers have shifted their approach to budget segment homes which were earlier neglected and where a demand still exists. Developers have also realised that budget homes are low on both construction and maintenance cost which can be traded to offer good quality housing to meet client expectations.

There is a rush among the GCC nationals to buy real estate properties in Oman due to the government policies as well as building mega projects nationwide. The gross trade value for a property in Oman, has witnessed a remarkable growth that stood at RO2.7 billion in 2014, compared to RO1.5 billion in 2013. Bahrain's commercial real estate sector is witnessing stagnant growth as a dip in economic output, and an overhanging supply of commercial space combine to keep rental rates down.

In Qatar office development is also coming up in C& D Ring Road and Al Saad, however limited leasing activity witnessed. Many towers in West Bay are leased to government organisations. West Bay and Pearl witness new residential developments and rentals have remained stable in 2014. There are currently approximately 125 hotel establishments currently under construction in Qatar. There was a slowdown in number of hotels built in 2014, combined with the increase in tourist numbers resulted in a jump in occupancy levels. Occupancy levels are likely to be tested further in the medium term as the supply of hotel rooms continues to increase to meet Qatar's Fifa 2022 obligations. The organised retail market is currently dominated by the Villagio and City Centre malls. Medina Central on the Pearl Qatar and Barwa Commercial Avenue have increased retail space.

The WTI was at \$50.60/barrel and Brent was \$60.21/barrel. Oil prices had rebounded since late January, partly due to expectations the lower rig count will eventually shrink US production, curtailing the supply glut. Oil price also arose on account of eurozone growth of 0.3 per cent in last quarter of 2014. However it once again dropped this week on worries about oversupply in North America. As oil price struggle to revive the GCC property markets are expected to correct in the near future.

The writer is the group chief executive officer at Doha Bank. Views expressed by him are his own and do not reflect the newspaper's policy.