



DOHA DATELINE

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GCC realty market should be 'cautiously optimistic'

Dubai sale prices jump 36% from a year earlier in second quarter



Workers stand near the King Abdullah Financial District currently under construction in the Asahafa area in Riyadh. The demand for real estate in Saudi Arabia is expected to remain healthy. — Reuters

HOUSE PRICES in US were rising at a slower pace in the last two years. But since the start of 2014, the pace of increase has slowed significantly. The average UK price is now up 11 per cent year-on-year up to July 2014. The current low-interest-rate environment is keeping borrowing costs down, but home owners have been warned to start thinking now about how they will cope with the prospect of higher payments when the Bank of England base rate eventually starts to move off its historic low.

Home prices in Hong Kong remained at high levels on account of low interest rates, currency stability and various regulations hinder injections of new housing supply into the market. To contain a boom in China's housing market and keep prices affordable, Beijing imposed restrictions over the past five years. Those measures together with a slowing economy now appear to be having an impact. Average new home prices in 70 major Chinese cities fell 0.9 per cent in July following a 0.5 per cent decline in June 2014.

The demand for real estate in Saudi Arabia is expected to remain healthy as the rising Saudi popula-

tion and evolving lifestyles are expected to keep real estate demand positive. The positive developments can be felt mainly in cities such as Jeddah, Makkah, Al Khobar and Dammam. Saudi Arabian Monetary Agency (Sama) is issuing licences to allow leading banks to offer real estate financing there is expectation of revival of demand in the residential and commercial property market.

The government has also encouraged Saudi banks to provide more credit to house buyers as part of a government housing initiative.

In Dubai the residential market is still climbing rapidly; average sale prices jumped 36 per cent from a year earlier in second quarter 2014. Sales prices in Abu Dhabi's residential property sector have increased by close to 17 per cent in the first half of 2014. With the removal of the five per cent rental cap in Abu Dhabi, rents in the emirate began their upward climb.

Apartments exhibited a rental increase of 2.9 per cent on a quarter-to-quarter basis in Q2 2014. In May 2014, International Monetary Fund (IMF) appreciated the measures taken by the UAE to cool the property market. Such mea-

17%
rise in Abu Dhabi property prices in the first half

asures include new mortgage rules and doubling property registration fees. However IMF also called for further measures to curb speculation such as higher fees on quick turnaround in property sales. The revival of economic growth in the UAE and low interest rate scenario has driven property sales.

A series of mega projects across Oman such as Sohar Port, Sohar Airport and other infrastructure and tourist projects, have all attracted GCC nationals to own property in Oman. Residential demand is also being driven by workers in the construction sector, as the government invests in upgrading Muscat International Airport and transport infrastructure projects and improvements. Kuwait's residential sector recorded more

than \$3.5 billion in sales during the first half of the year, up 17 per cent compared to the same period last year. In the residential sector significant transactions involved the purchase and sale of land or vacant plots. In 2013, real estate lending in Qatar had contracted by 1.2 per cent. Qatar's real estate industry grew by 30.5 per cent in June 2014 mainly due to a surge in real estate deals. In first eight months of this year real estate lending has grown by more than one per cent.

The foreign currency lending to the real estate sector has fallen from 37 per cent in December 2012 to 23 per cent in December 2013 and has further fallen to 11 per cent in August 2014.

The expectations of interest rate hike by US Fed in 2015 has once again arose and hence the GCC property market should be alert to such developments as it will be followed by similar actions from regional central banks. GCC property markets should be "cautiously optimistic" on account of Fed's forward plans.

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.