

Real estate sector remains volatile despite oil recovery

GCC FOCUS

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GCC PROPERTY MARKET witnessed marginal correction and slow activity in first quarter of 2015 due to low oil prices. Although, the oil prices have rallied in second quarter of 2015 with WTI and Brent at around \$59 per barrel and \$65 per barrel, respectively, the strong dollar and supply trends can put pressure on oil prices and thereby on the GCC property market. Hence the GCC property market is in a volatile situation despite the recovery of oil prices in second quarter.

In Saudi Arabia, buyers can currently borrow a maximum 70 per cent of a property's sale price; previously, there were no sector-wide limits. Such curbing measures were implemented in November 2014 after the introduction of laws to facilitate mortgage lending. The number of house sales in Riyadh between the time the new lending limits were introduced and till end of 1st Quarter 2015 fell from a year earlier.

The Saudi government in March 2015 announced plans for a new tax on undeveloped urban land, aimed at pushing landowners to develop unused plots and ease the shortage of affordable housing. However, uncertainty over the nature and timing of the tax may impact property sales.

Saudi citizens require better infrastructure to support a wider community instead of just a housing. Hospitals, schools, supermarkets and recreation facilities are needed to develop a sense of community. Banks can support through residential finance programs to assist with their housing purchases.

In Dubai, apartment prices were down three per cent while villas registered a two per cent decline in sales prices in the first quarter of 2015. However, the first three months of the year saw focus on Dubai's demand for affordable housing. As a more affordable option studio apartments will continue to hold their appeal for property investors. Bur Dubai and Jumeirah Lakes Towers became the second most favoured localities for renting after ever-popular Downtown Dubai.

The property prices in Abu Dhabi, UAE, remained relatively stable in the first quarter of 2015 even as there was a significant demand for affordable residential units. The demand for high end developments was coming up in Reem Island, Saadiyat Island and Al Raha Beach. Abu Dhabi's office market registered positive rental rate growth in the first quarter of 2015 due to limited supply, especially of fitted and efficient space in new buildings.

In Kuwait, real estate sales fell 17 per cent year-on-year in February 2015 on account of sluggishness in residential and investment sectors. Despite this new property projects are planned. In March 2015 Property developer Tamdeen announced Al Khiran project, \$700m mixed-use project which will be at the heart of the Sabah Al Ahmad Sea City. The development consists of Kuwait's first outlet mall, two high-rise residential towers, one furnished apartment tower, and a marina.

Other Property projects currently under development include the Silk City project.

In Oman, government involvement in infrastructure development is driving development in industrial property market in Oman. The improved infrastructure and connectivity is driving demand from occupiers and contributing to warehouse development.

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. It has some major projects such as Bahrain Bay project in progress.

In Qatar, despite a reduction in real estate requirements for the hydrocarbon sector in first quarter of 2015, a remarkably good growth in population has fuelled the demand for residential real estate. In commercial office segment slowly down in demand and the virtual absence in the arrival of any new major projects.

In residential segment the past 12 months up to the end of March 2015, the population realised an increase of 9.5 per cent. This along with new apartments entering the market has contributed to the growth of the residential market.

In hospitality sector, the first quarter of this year has seen some momentum with the opening of three new hotels. On retail segment, we witnessed activity through the opening of Gulf Mall. Qatar real estate lending growth is down by 0.9 per cent in 1st Quarter 2015. The local currency lending for property sector has increased from 88 per cent in December 2014 to 92 per cent in 2015.

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.

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