

## U.A.E. Property Prices 'Fell Off a Cliff' on Crisis (Update2)

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By Zainab Fattah

Feb. 2 (Bloomberg) -- Property prices in the United Arab Emirates "fell off a cliff" after banks reduced lending and speculators withdrew from the market because of the global economic crisis, [Morgan Stanley](#) said in a note to investors.

In Dubai, prices have slumped 25 percent from the market's peak in September, while Abu Dhabi prices have declined 20 percent, according to the U.S. investment bank. There were "sharp" falls in the number of transactions during the fourth quarter, the bank said.

Deteriorating economic conditions, job cuts and the unavailability of mortgages have "resulted in a worse than expected performance in the U.A.E. property market, especially in Dubai," [Mai Attia](#), an analyst based in the sheikdom, said in the note dated Jan. 30.

Dubai opened its property market to foreign investors in 2002, while Abu Dhabi allowed foreign ownership three years later, fueling a boom that was boosted by low interest rates. Banks including [HSBC Holdings Plc](#) and [Lloyds TSB Group Plc](#) clamped down on mortgages in the last quarter as the global recession started to affect the region, forcing construction companies to scale back projects and cut jobs.

### Tallest Building

[Emaar Properties PJSC](#), the country's biggest publicly traded developer, will be affected most by the drop in prices because two of its projects, Burj Dubai and Old Town, have "taken the biggest hit since the peak," the report said. Burj Dubai overtook Taipei 101 as the world's tallest building, Emporis Buildings in Darmstadt, Germany, said in a report today.

In Abu Dhabi, [Aldar](#) Properties PJSC's Raha Beach development was most affected, the report said. The emirate's housing shortage hasn't helped sustain prices as speculators exited the market and financing became scarce.

Emaar's shares dropped 84 percent in the past 12 months, while Abu Dhabi's two largest developers Aldar and [Sorouh Real Estate Co.](#) slid 77 percent and 69 percent respectively.

Construction projects totaling \$75 billion have been either delayed or canceled in the U.A.E., HSBC Bank Middle East Ltd. said in a note Jan 22. The majority of projects affected are high-end residential and commercial developments. The U.A.E. government doesn't release official data on property prices in the country or the number of completed transactions.

### Rents

Emaar runs a "high risk" of customers canceling purchases or defaulting, Morgan Stanley said. Any new projects undertaken by the Dubai-based company in the next two years may sell at a "significant 'sensible' discount" compared with prices in the past year.

The developer is among six government-owned companies in Dubai whose credit ratings are under review at Moody's Investors Service for possible downgrades as the economy slows, the ratings company said today.

Rental rates "started to ease in Dubai in December, where we expect the average rents have fallen by 7 percent" since the summer, Attia wrote in the report. "Abu Dhabi seems more resilient so far, given its different demand supply fundamentals."

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