

DOLLAR'S DOWNFALL GOOD FOR LOCAL PROPERTY

■ FOR BUYERS FROM COUNTRIES WHERE THE CURRENCY IS BECOMING STRONGER AGAINST THE GREENBACK, REAL ESTATE IN THE UAE IS AN ATTRACTIVE INVESTMENT

ON RECORD



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THE VALUE of the dollar has fallen by almost 25 per cent in the global currency markets since 2002. In fact in April, to the delight of US exporters and the dismay of US tourists, the dollar touched a 26-year low against the pound and was less than a penny from an all-time low against the euro.

In the UAE, the dirham is pegged to the dollar and has seen its currency consequently decline against the euro and the pound. The effect this has on the UAE's property market is three-fold.

For buyers in countries where the currency is becoming stronger against the already weak dollar, such as the UK (since the pound is 1 to \$2), property here becomes very attractive. Couple this with attractive rates of appreciation, for British investors and to a certain degree for those buyers from the euro zone a property here becomes a sound and long-term investment.

This, therefore, has a very positive impact on the UAE property market, attracting a significant amount of foreign investors. On the other hand countries whose currency is connected to the dollar will find the UAE an unattractive place to invest or simply not good value for money.

This has a negative affect on a market which may in turn see potential buyers investing in countries that are not pegged to the dollar instead. For them property in a country unaffected by the dollar's decline may well appear more attractive.

For buyers and residents of the UAE, ie, local investors or the oil producing countries whose income is related to or produced in dollars, the property market remains as attractive — or unattractive, depending on how you personally view it — as it always has been.

Interest rate concerns

I believe that it is not the rate of the dollar or its devaluation that the property industry has to be concerned with but rather the effect the UAE banks' interest rates, which are now as high as 9 per cent.

This has a far more negative affect on a



market that might see investors struggling to cover mortgage payments charged at this amount. Add to that the investment outgoings of maintenance and service charges and many local investors are discouraged from buying a property — not because the dollar is in decline.

Many would argue that the UAE is not an unattractive place to invest due to the decline of the greenback. But many are far more concerned with the inexplicable interest rates and other charges.

In fact as long as we calculate our finances or situation on a five-year cycle and not an annual basis, investing in a dollar-connected currency is not disadvantageous. A five-year cycle will in time absorb all these currency fluctuations or devaluations anyway. To conclude there-

fore, I believe too much is made of the dollar's decline. For those of us paid in dollars, unless we are travelling or buying a property in a country whose currency is strong against the dollar then what does it really change? Somebody asked me if there were any indications of investors looking to liquidate assets here in the UAE in favour of the euro zone or the yen. I just don't see that happening today or in the near future. Apart from anything else the dollar usually bounces back.

For European and more particularly British investors, we believe there will be a rise in investors in the UAE. For now let's concentrate on persuading the banks that interest rates of 9 per cent is what could hurt this market and not particularly the decline of the dollar.

The writer is the Managing Director of Halcon Real Estate