



No market can support high levels of speculation in the long term



Bare Facts
Dr Mahdi Al Aswad

In my 35 years of experience in the real estate sector, I have witnessed the highs and lows of property sectors across the US and Europe. The current economic crisis, which stems directly from the poorly managed sub-prime mortgage lending in America, has caused property values in the West to tumble once again.

Dubai, in my opinion, can buck this trend. Expert financial management, strong decision-making and consolidation of the monetary system can only benefit Dubai's real estate. It will ensure the market remains healthy, growing, optimistic about the future and in the best possible position to withstand the shake-up.

That's not to say there won't be a slowdown, Dubai does not exist in a complete vacuum. But it's all relative. I would estimate that, over the next year, we will see property values in the UAE increasing by 20 to 25 per cent, down from the phenomenal 40 to 50 per cent gains we have seen.

Yet this projected double-digit increase will be higher than any other global property market and twice the bank interest rate for cash deposits.

So, there's plenty of scope for the astute real estate investor in Dubai to make good returns. But those who still expect to make 30 or 40 per cent margins on a down payment of just 10 per cent will be heading for a fall.

No country, not even the UAE, can support that level of speculation long-term. Increases in the price of materials such as steel and cement have left developers little room to breathe, and

Real estate is the most secure, solid, reliable investment vehicle on offer, but only if it's thoroughly researched

there is no grace period on payment schedules should you not be able to sell before the next installment is due. Those who stand to gain are those who really do their homework on the property they're buying and who are able to pay installments if necessary. To maximise your chances of making money on your investment, you should:

- Choose the best possible location and position.
- Check whether the developer has

started the project.

- Ensure the developer has a solid reputation.
- Assess the finance options offered and the financial institutions involved.
- Analyse the marketing activities undertaken by the developer.

In these turbulent times, patience is a virtue.

Real estate is the most secure, solid, reliable investment vehicle on offer, but only if it's thoroughly researched and purchased with the knowledge that it may take longer to realise the gains that have previously been achievable in a matter of months, if not weeks.

Remember, no one has ever lost out by holding onto a property for a five-year cycle. The world always needs a roof to sleep under.

The writer is Managing Director and CEO of Halcon Real Estate