



**From the Hip**  
James Thomas

# Is now a good time to buy property?

**James Thomas** ponders the age old question and asks if now is the right time to buy a property?

**P**roperty has dominated Dubai's economy for the past five years or so, and had been on a seemingly ever increasing upward trend. This had been seen to some extent throughout the Middle East and, indeed, across the world. However, the last six months or so has seen the property market come back down to earth, having been hit by a number of factors, both international and local.

The international issues have been well documented, with the near collapse of the world's financial system back in October 2008, with the effects being felt in most aspects of the financial system.

Prior to the global issues coming to a head, the property sector in the UAE and Dubai in particular had been a speculators dream. You could buy a property then with just a 10 per cent deposit, and then sell the property in as little as three months for double the asking price that you had agreed to. So not only did you get your original 10 per cent back, you also got the full original price as well!

With this new found profit, you could then buy five, ten or even more properties and do the same thing again and again. Some people were making huge sums of money. However, the people who then bought the property wanted to do the same thing, and indeed in a lot of cases they were able to. But as the prices increased, people could no longer fund the property purchases from cash, and so the banks quickly started lending to finance the purchase, and so the cycle continued. But as often happens, when something seems too good to be true it normally is, the prices were becoming unsustainable, and buyers found themselves unable to meet the asking prices.

Then the world market collapsed, local

banks realised that they may have over exposed themselves and simply stopped lending until the situation was clearer.

Arguably that point has not yet been reached, but according to various reports property has fallen by up to 40 per cent in certain parts of the UAE, and some banks are now starting to offer finance on certain projects albeit at very low loan to value rates.

So is now the time to enter into the market? I believe that it could well be, as long as you choose the right location, project and property. There are definitely bargains to be had, but there are projects that have still further to fall.

The first question to consider before even looking at where to buy is the reason you want to buy. Are you looking for a speculative purchase, an investment or for somewhere to live?

If you are looking to make a speculative purchase to sell on quickly for a profit, I would suggest that while perhaps not impossible, it will now be very difficult. From an investment perspective, in some areas the market is starting to look attractive. If you have available funds, and can move quickly, there are bargains to be had. Prices are falling to a point where with a medium term timescale, and a realistic rental income, there can be good returns to be made.

If you are looking to buy a home for yourself, again prices are now at a point where property is looking attractive. However, it is likely that you will have to have a large deposit, as banks if they are lending at all, will require up to 50

per cent of the purchase price as a deposit. Also mortgages in the UAE are still very expensive, with banks adding a considerable risk premium on their interest rates, so we are unlikely to see rates as low as the ones that the UK and the US are currently at.

As with any investment, the time scale that you plan to hold the property is key. I would never recommend to a client to invest into equities for less than five years,



and property is no different. With a long term view, I believe property offers the potential for growth and rental returns, but it should not be viewed as a short term money-making venture.

You should also review your attitude to risk, as you would with any other investment and ask yourself whether you are prepared to lose money on an investment. If you are not, then you really need to consider whether property is suitable to you.

James Thomas joined Acuma Wealth Management, a company licensed and registered by the Central Bank of the UAE, in 2004, having worked as an independent financial consultant in the UK for six years. He is fully qualified and is a member of the Chartered Insurance Institute of London. Contact James at [jthomas@acuma.ae](mailto:jthomas@acuma.ae). This article is provided for information purposes only and should not be regarded as financial advice. Always remember that investments can go down as well as up.