

# The emergence of the end user

The end user is emerging out of today's global market turmoil and uncertainty as potentially the most powerful individual in the local property market, which until recently, has undoubtedly been dominated by investors. Is this a bad change? Mark Leale addresses the issue.

Many will say that this had to happen at some point, and in fact have awaited this switch. The belief is that investors have had it their way for too long, with properties changing hands and increasing in price so fast that many home buyers were simply priced out of the market. You often hear the saying that a good storm is needed to clear the air, and perhaps that is what we are witnessing. Granted, it could be a rude awakening to the risks of over exposure for some, but I believe to a certain extent it was required in order to rein things in.

There is much talk about whether or not prices will correct and, if so, to what extent and when. This is not only very difficult to call, but when making our analysis we must also take into account the apparent discrepancy in prices of similar properties listed for sale. A simple glance through the property pages of our local newspapers will highlight this point. The best way to view prices is that with every property there is a price spread, this being the difference between the top and bottom asking price at any one time. This spread can widen, and the point at which buyer and seller are prepared to deal will differ dependent on market conditions and sentiment. Where we are now is that we have vendors still holding out for prices that they believe were once achievable and there are some more motivated sellers who are aiming to price their properties to sell at what they really do believe to be the correct price in the current conditions. The true price of a property is determined by the price at which

each party is prepared to transact. Purchasers are still buying, but deals are being struck at the lower end of the spread.

There are still a good number of buyers in the market looking to buy homes. Numbers of properties for sale have certainly increased, but motivations for selling vary and not all are attributable to the global economic slowdown. Some sellers are simply profit taking, and one must not forget that prices have in fact soared over recent years, most notably over the last 18 months. This pace of growth was not sustainable and was the principal reason many feared the 'bubble' was going to burst. There are of course others who, due to other capital commitments, need to release equity by selling properties that they own. In neither of these cases have we really found that property owners are panic selling, they are typically taking stock of their personal situation and based on the speed at which they wish to secure a deal, their properties are being priced accordingly.

Contrary to RERA's (Real Estate Regulatory Agency) instruction to the local brokerage fraternity, we still see properties advertised as being 'distress sales'. Firstly, I would question how many of these individuals are truly in any kind of distress. A vendor still seeking any kind of profit on his investment surely cannot be in that much distress. Those who are in a more desperate situation are those who have over stretched themselves and cannot meet capital commitments through stage payments.

With more properties on the market, buyers are

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pleased to be able to consider more options than had previously been available to them. Not that long ago, it was simply a case of having very little choice and that which was available would sell quickly. With increased competition amongst vendors, buyers have to be the winners in securing properties at more attractive prices. We are working with a number of clients who originally spoke about buying six months or so ago, who are now realising that current nervousness and increased numbers of properties on the market are presenting them with the opportunity to now buy the property that was previously out of their price range.

Some time ago I was asked the question whether vendors are prepared to negotiate on their prices. At the time the answer was 'yes, upwards'. It was common to secure a buyer for a property at the asking price and no sooner would this be communicated to the vendor than they would increase their price. This has, thankfully for everyone, stopped, although some vendors are perhaps yet to wake up to the fact that the negotiation discussions will be on a possible reduction in their asking price. I would stress that this is not an indication that the market is en route to a decline, but more a move to practices found in more mature real estate markets anywhere else

in the world. Agents will need to work hard to manage the expectations of their buyers and sellers – however, this is again no different to other countries.

We have been reporting for a long time that end users are becoming increasingly prevalent in the UAE property market. According to recent reports, the population continues to increase by a staggering 800 people per day, so the demand for completed or near complete property remains. Delays to projects under construction have only served to exaggerate the supply/demand imbalance. Nervousness and profit taking amongst current property owners has however helped the supply of properties to the market.

Opinions on where we will see prices going over the coming months vary hugely. My thought is that those properties that answer the needs of end users, namely villas and affordable apartments, will hold their value. More speculative longer term projects should be seen as exactly that in terms of length of investment and risk. The advice to anyone considering purchasing a home here is to look at your options, it just may be that the opportunity that had previously escaped you has represented itself, but dependent on how quickly demand picks up again, that opportunity may be short lived.