

## **A step in the right direction**

As real estate regains most-favoured-asset status, safeguards are being put in place in markets such as the UAE, UK and India to prevent a new property bubble

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Let the buyer beware. In hindsight, experts are always likely to throw the maxim, “If it looked too good to be true, it probably was”. So is a bubble forming in high-demand markets such as the UAE, the UK and India?

“It’s possible, but in cities where prices have actually skyrocketed beyond affordability,” says Anuj Puri, Chairman and Country Head, Jones Lang LaSalle India — global real estate firm. “It can be argued that they have done so almost everywhere in the country, but the fact is that people are still buying homes in most tier II and tier III cities. Nor is the supply in most of those cities either overly constrained or curtailed. So, when we talk of the possibility of a bubble we’re actually only talking of property in Mumbai and Delhi right now. And at this stage, it is still only a possibility.”

**Giles Hannah, Managing Director of London’s VanHan, says that London is the safest there may be. “London property prices are nearly 20 per cent higher today than they were at the 2007 pre-crash peak. London property is a mid- to long-term investment, and even if the bubble was to burst, London historically always recovers. London has a stable economy and is seen as a global city and is centrally located in Europe, the Middle East and Africa for trade. The Gulf has the world’s best airlines and with the excellent air transport links from the region to London, we can see interest in London property investment increasing for the next few years.”**

### **Protection of investors**

Governments across the world are working hard to ensure that investors are protected. In the European Union, according to a provisional deal struck by Economic and Monetary Affairs Committee MEPs and EU members, property buyers would be informed about the

costs of taking on a mortgage, protected from market swings while the contract lasts and protected if they cannot repay it.

Last December, the UAE Central Bank proposed caps on loan-to-value limits, which restrict mortgages for expats and citizens, depending on the value of the property purchased. New regulations, which restrict demand, cap prices and demand more transparency. As all sectors of the Dubai real estate market remain poised in the recovery stage of their market cycle, for the first time since mid-2008, according to Jones Lang LaSalle's Q1 2013 report, efforts are on to prevent a bubble effect.

Alan Robertson, CEO of Jones Lang LaSalle, Middle East and North Africa, says, "For some months now, we have seen sustained confidence in the Dubai real estate market, although it remains selective with the best performance focused on high-quality assets in prime locations."

### **Lesson learnt**

He adds, "An initial glance might suggest that many of the conditions that led to the unsustainable growth in real estate prices in Dubai in 2006 and 2007 have returned. However, there are important differences as the Dubai market has matured. The excesses of the last speculative boom will hopefully be replaced by a period of slower, but more sustained growth in demand and prices. The challenge is to ensure that this confidence does not lead to undue exuberance. If the market has learnt anything from the past decade, it is that an extended period of sustained growth is more beneficial than a short period of unsustainable growth followed by an inevitable crash."