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Dubai in push to rebalance bloated property market

Dubai: Dubai's ruler announced on Monday the creation of a panel to address a glut in the property market, a key part of the economy but in decline for the past five years.

The committee charged with rebalancing the industry will be headed by Sheikh Mohammed bin Rashid Al-Maktoum's son and deputy, Maktoum bin Mohammed, and include representatives of top property developers in Dubai.

"Today, we formed in Dubai a higher committee for real estate planning... with the aim to achieve a balance between supply and demand," Sheikh Mohammed, who is also prime minister of the United Arab Emirates, said on Twitter.

Dubai's property market has been in a downturn since mid-2014, with sale prices and rents shedding around a third of their value.

Economic outlooks indicate that the sector, which contributes some seven percent to Dubai's gross domestic product, will slump further due to the extent of oversupply and an economic slowdown caused by low oil prices.

In an emirate where glitzy apartments line the coastline, and gated communities stretch back into the desert, Sheikh Mohammed called on the committee to ensure that property projects add value to the economy and do not duplicate each other.

He also said the panel should guarantee that giant semi-state real estate companies do not compete with private sector developers, and to draw up a 10-year strategic plan for the sector.

Standard and Poor's ratings agency said earlier this year that property prices in Dubai, where full foreign ownership is allowed, have slumped to levels close to those seen in the 2009-2010 crash.

It said prices will continue to fall until they stabilise either next year or in 2021. Property prices in Dubai plummeted in the aftermath of the 2008 global financial crisis which hit the emirate's economy hard, triggering a 2.6 percent contraction the following year.

The main drive behind the current glut of new housing projects in the market is excitement over Dubai's hosting of the global trade fair Expo 2020, which experts project will generate some 300,000 new jobs and attract over 20 million visitors.