

# Dubai Mortgage Market Update – November 2014



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The introduction of the UAE Central Bank mortgage cap and increase in [Dubai Land Department](#) fees from 2% up to 4% late last year, have taken the steam out of the property market.

House prices have been softening all year and after a slow summer, sellers are starting to reduce asking prices. This is good [news](#) for prospective buyers, particularly as rental prices have continued to increase at a moderate pace over this period.

Our forecasted adjustment in property prices need not be a cause for concern, unless you have to sell quickly of course. We forecast only a mild correction in property prices this year as there are still a number of positive fundamentals, which bode well over the medium term. The market was over inflated in 2008 by speculators and investors transacting mainly under construction properties. Today, the majority of transactions are for completed properties or [projects](#) close to handover. There are many more end-users and interest rates have dropped by over 50% from 8% to under 4%. Instability in the wider region and infrastructure projects are also accelerating growth in the UAE population.

We have over 30 banks actively lending in the market and most offer competitive products with greater transparency. The Central Bank regulation of 28th December 2013 was not solely intended to reduce maximum lending levels (Loan to Value) by the banks. It also introduced more stringent rules of assessing eligibility and restrictions on maximum exit fee penalties banks could charge customers. This has created far better value mortgage products for consumers.

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Is it the right time to buy? Well, this can only be answered once you have assessed your financial position and future plans in detail. If you are in stable employment and intend to remain living in the UAE for a minimum period of 3-5 years, most definitely. It is likely that we will experience some volatility leading up to 2020 but highly probable that property prices will be higher than today.

A typical 2-bedroom apartment on the shoreline will rent for approximately AED 170,000 per annum. Buying the same property with a 75% mortgage will cost as little as AED8,700 per month (AED104,400 per annum).

With rents continuing to rise across the UAE as long as you can afford the deposit then buying will normally be more economical than renting. Considering that the majority of mortgages in the UAE are paid on a capital and interest basis it means that at least a proportion of your payment is going towards your own property rather than paying into a [landlord's](#) pocket.

For those who have already purchased now is a great time to see if money can be saved on repayments. With banks being well capitalised and greater due diligence being completed on prospective borrowers, the rates being offered are at all-time lows. Lenders are also willing to compete with each other for business and will offer discounts on the arrangement fees and enhanced rates for those wishing to change lenders.

For anyone paying over the odds this could have a significant impact on their monthly outgoings. For example AED 2 million loan taken over 20 years at 6.5% interest rate would have a monthly payment of AED 14,911. If it was refinanced at 3.29% the new payment would be AED 11,384. This would create a saving of AED 3,527 per month or AED 42,324 in the first year. Even after the costs of refinancing are taken into consideration there is still a significant saving.

Another option is to release equity from your property. If you purchased post 2009 up to 2013 you may be sitting on significant equity and these gains can be released. The rules are similar to a new purchase and lenders will generally go up to 75% of the property value for your primary property, providing the value is less than AED5m.

[Home Matters](#) service can help with both new transactions and/or refinancing on an existing purchase. We will help identify the best lending options for your given circumstances, whilst providing full transparency and peace of mind. Please contact us on 043883222 or by email at [info@homematters.ae](mailto:info@homematters.ae)