

“While 2020 was a challenging year globally, it was one of opportunity for the property market in the UAE.”

We are pleased to share the first issue of our new, annual Mortgage Market Report. The aim of this report is to give borrowers and property industry professionals a snapshot of the UAE mortgage market from the largest, independent mortgage consultancy in the country.

Inside this report we share a range of data and trends based on the mortgage transactions overseen within our consultancy in 2020*.

While 2020 was a challenging year globally, it was one of opportunity for the property market in the UAE. The mortgage industry in particular witnessed several positive changes for borrowers and potential buyers. The most notable being the 5% increase in loan-to-value ratios introduced by the Central Bank of the UAE (CBUAE) in March 2020, which made getting a mortgage more achievable for some.

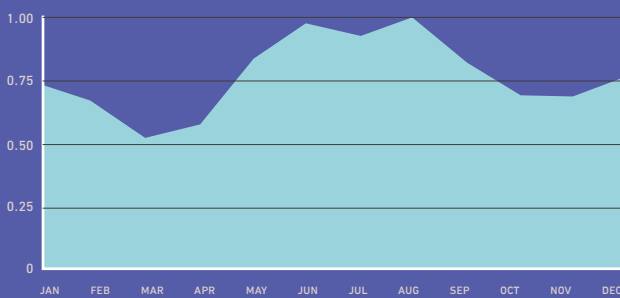
We hope you find the contents of this first issue interesting and informative; we look forward to any feedback in helping to make the next one even more comprehensive.

Mortgage Finder Team

*All data within the report is based on mortgage transactions completed by Mortgage Finder in 2020, unless otherwise stated.

ENQUIRIES IN 2020

Trend of mortgage enquiries received in 2020



↑ 9%

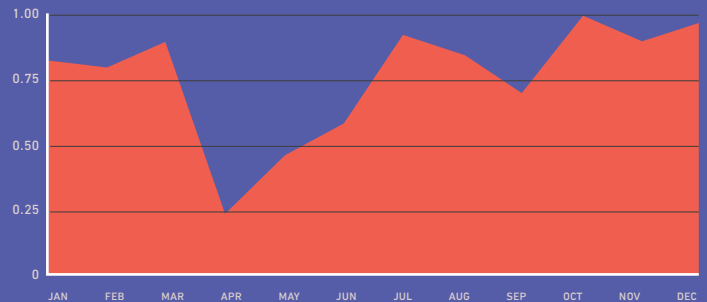
Total number of enquiries received increased by 9% in the second half of 2020

2020 JUN

Highest number of mortgage enquiries recorded was in June 2020

TRANSACTIONS IN 2020

Trend of mortgage transactions in 2020



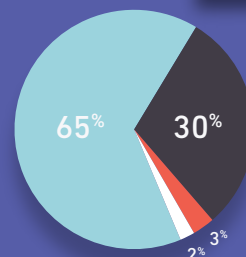
↑ 40%

Mortgage transactions increased 40% between first and second half of 2020

2020 OCT

Highest number of mortgage transactions recorded was in October 2020

Types of completed mortgages transactions throughout 2020



- Finance for completed properties
- Finance for off-plan properties (upon handover)
- Buyouts (remortgages)
- Other

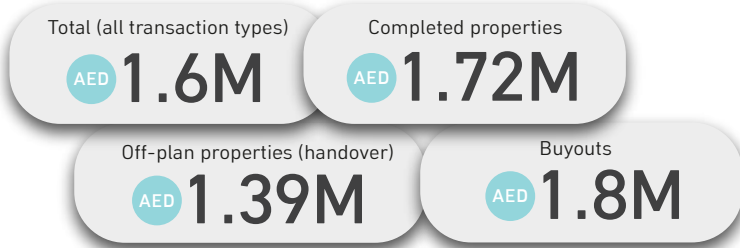
MORTGAGE TRANSACTION DATA

72% Average loan-to-value
(all transaction types)

21 yrs Average mortgage term

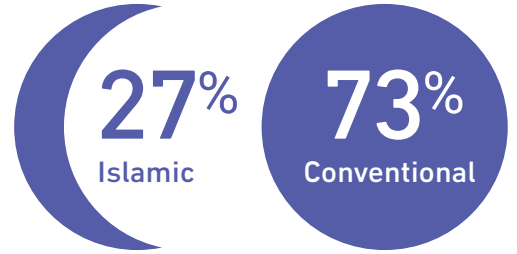
55% Percentage of mortgages where purchasing fees* were included within the loan[†]

Average mortgage (loan) amount



Loan type

(Islamic vs Conventional finance)

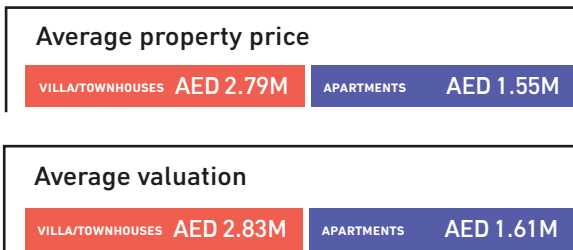


* DLD and real estate agent fee

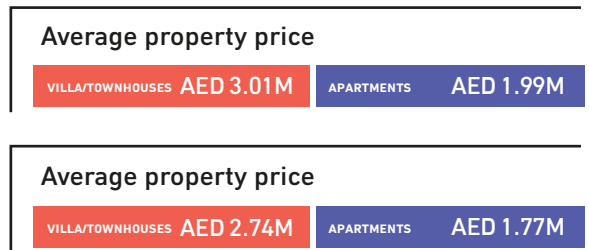
[†] This value is in only relation to transactions where it was possible to include fees i.e. employed UAE residents

PROPERTY PRICE AND FINAL VALUATION TRENDS

Completed properties



Properties purchased off-plan



Percentage of mortgage transactions where property valuation was in-line, above or below the property price

Villa / Townhouse		Apartments	
In-line	41%	In-line	35%
Above	43%	Above	49%
Below	16%	Below	16%

Percentage of mortgage transactions where property valuation was in-line, above or below the property price

Villa / Townhouse		Apartments	
In-line	11%	In-line	9%
Above	4%	Above	0%
Below	85%	Below	91%

PROPERTY TYPE AND LOCATION DATA



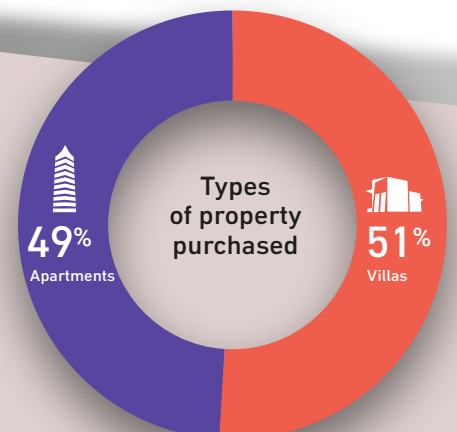
Top 5 areas with most transactions in Dubai

1. Dubai Marina
2. Arabian Ranches
3. Palm Jumeirah
4. Dubai Hill Estate
5. Jumeirah Golf Estates & Jumeirah Village Circle



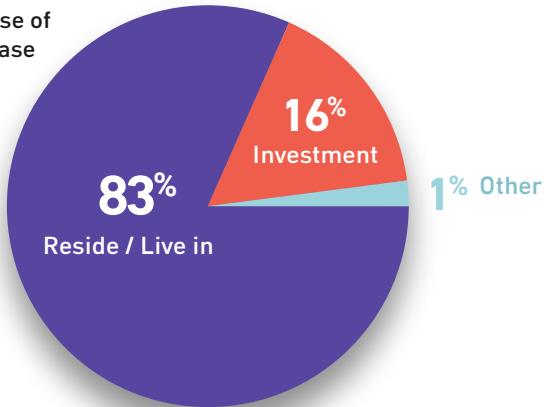
Top 3 areas with most transactions in Abu Dhabi

1. Yas Island
2. Saadiyat Island
3. Al Reem Island

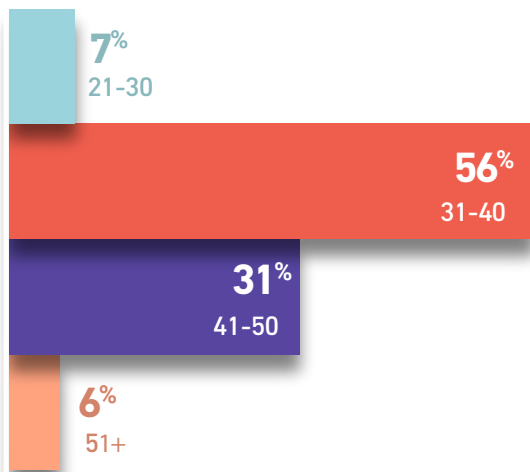


BORROWER DEMOGRAPHICS - WHO TOOK A HOME LOAN AND WHY

Purpose of Purchase



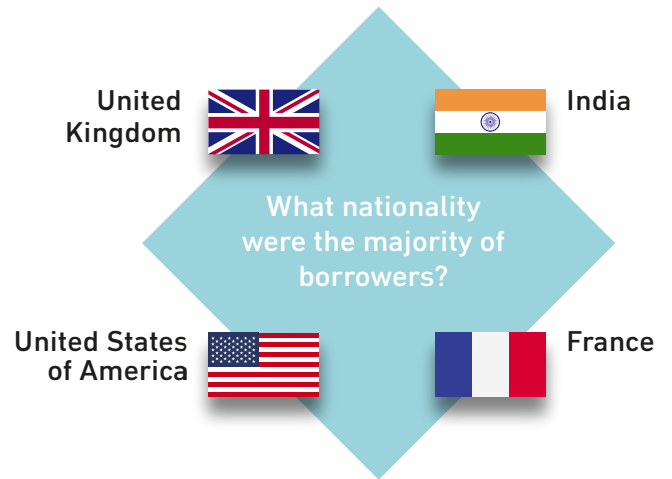
BORROWER AGE RANGES



INTERESTING FACT

Our oldest client was **61y/o** / Our youngest client was **25y/o**

RESIDENCY STATUS OF BORROWERS



INTERESTING FACT

We completed mortgages for borrowers from **45** different countries

PERCENTAGE OF SINGLE VS JOINT BORROWERS

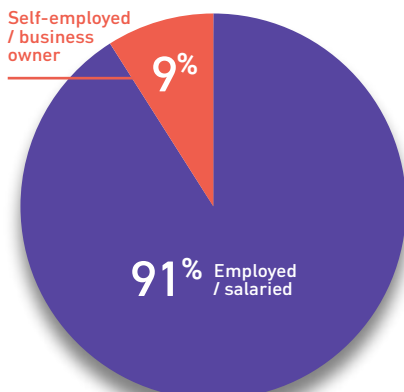


72%
Single



28%
Joint

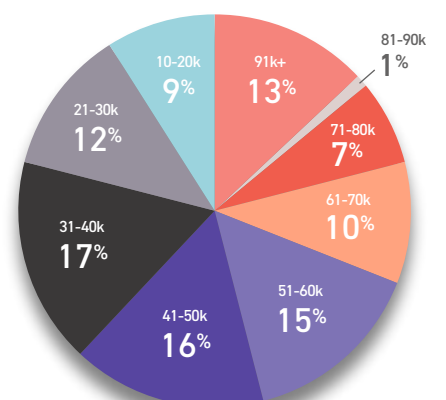
BORROWER EMPLOYMENT STATUS



WHICH INDUSTRIES DID THE MAJORITY OF BORROWERS WORK IN?

1. Oil & Energy
2. Aviation
3. Construction
4. Information Technology & Services
5. Management Consulting

BORROWER INCOME RANGES AED / PER MONTH

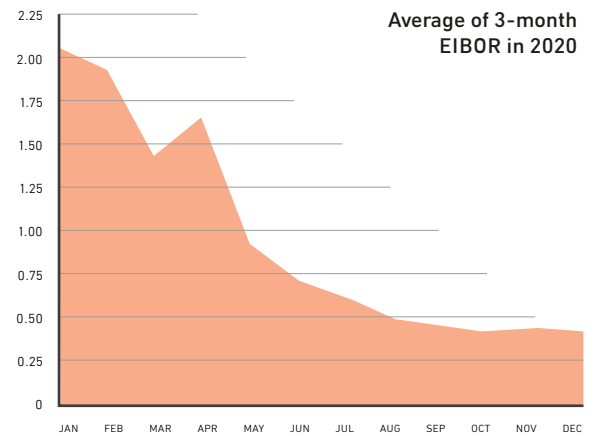


MORTGAGE INTEREST RATE TREND

Mortgage interest rates have fallen consistently in recent years in the UAE and 2020 was no different.

Mortgage rates offered by banks within the UAE are generally linked to EIBOR (Emirates Interbank Offer Rate), plus a fixed margin set by the banks which varies from one bank to another. In general this means as EIBOR changes, the mortgage rates on the market change in-line with it.

EIBOR followed a downward trend throughout 2020, as illustrated in the graph, falling by almost 80% from the start of the year. We saw this reflected in the mortgage rates offered in 2020 as lenders introduced a range of new products with various product offerings to entice potential borrowers. Interestingly, 3-month EIBOR in the final quarter of 2020 meant that for the first time in many years a variable rate mortgage could in some cases be a cheaper option than a fixed rate.



All data included in the graph above was gathered from the Central Bank of the UAE (February 2021)

ANALYSIS OF FINDINGS AND 2021 PREDICTIONS

The findings within this report correlate, for the most part, with the events and sentiment of 2020. Below we provide some context and commentary on more notable pieces of data contained within the report and our predictions for the year ahead.

Upon analysis of the data it was unsurprising, given the travel restrictions experienced in 2020, that UAE residents accounted for the overwhelming majority of mortgage transactions. With most borrowers opting to purchase to reside in the property, as opposed to purchasing for investment purposes. We anticipate that as travel restrictions ease and COVID-19 vaccine programmes are rolled out globally, we will see non-resident borrowers re-enter the market in the final quarters of 2021.

One area in particular from the data that we felt worth highlighting and that we anticipate a change in is off-plan purchase valuations. With 88% of valuations for properties purchased off-plan coming in below the original purchase price, off-plan purchases may seem risky. When put into context, however, we can build a better picture as to why this has been the case previously and why we think this is set to change. Generally, buyers of off-plan property commit to the purchase at least two years prior to the handover date (date you take ownership of the property). Since overall property prices in the UAE have been on a downward trend in recent years, of course off-plan purchases would also take a hit. However, with the downward trend levelling off slightly towards the end of 2020, and prices even increasing in some well-established areas, we predict that the number of down-valuations recorded will decrease noticeably in 2021.

Several property market reports noted increased demand for villas and townhouses throughout 2020. Interestingly, we recorded an almost even split in mortgage transactions for apartments and villas/townhouses, unlike in previous years where apartments have generally proven the more popular choice. This is a shift we see continuing throughout 2021, with demand for villas/townhouses growing further. We believe this will remain as a lasting effect of the COVID-19 lockdown and movement restrictions which saw the importance of having an outside area, like a garden or pool, become more prevalent.

Our final piece of commentary, perhaps the most important, is on the future of mortgage interest rates. Given where rates are currently sitting and following many consultations with our banking partners, this is not an area we anticipate can fall much further. The only possible change we can foresee is with regards to variable rate mortgages. These have, in the past, been a much less appealing proposition for borrowers. However, we see potential for variable rate mortgages to become more competitive in comparison to some fixed rate products and a more favorable option amongst borrowers than in previous years.

With mortgage rates unlikely to change dramatically and many lenders providing competitive terms, we believe 2021 will remain a positive year for both new and current mortgage borrowers in the UAE.

