



Mortgage Market Annual Report 2022

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2022 has been an astonishing year for the real estate market in the UAE. Mortgage transaction momentum continued despite a challenging global environment and rising interest rates.



Mohamad Kaswani

Managing Director at Mortgage Finder

SALES TRANSACTIONS SCALED NEW HEIGHTS IN THE UAE

Despite wide speculations that real estate markets would slow down post EXPO 2020, we witnessed the hottest real estate market on record in Dubai. Mortgage transactions kept the momentum up despite a challenging global environment and the rapidly rising interest rates.

The UAE housing market is quickly evolving and gaining maturity. Dubai, in particular, is growing exponentially and continues to appeal to new residents through its unparalleled lifestyle, business-friendly environment, global connectivity and most recently, the new reforms in visa and residency laws.

Following the government's impeccable response to COVID 19, its relentless drive to propel the country to new dimensions and a spectacular EXPO 2020, more residents are committing to build a long-term relationship with the UAE, which is likely to continue driving growth in home ownership.

Real Estate transaction activity is closely linked to affordability, supply and demand.

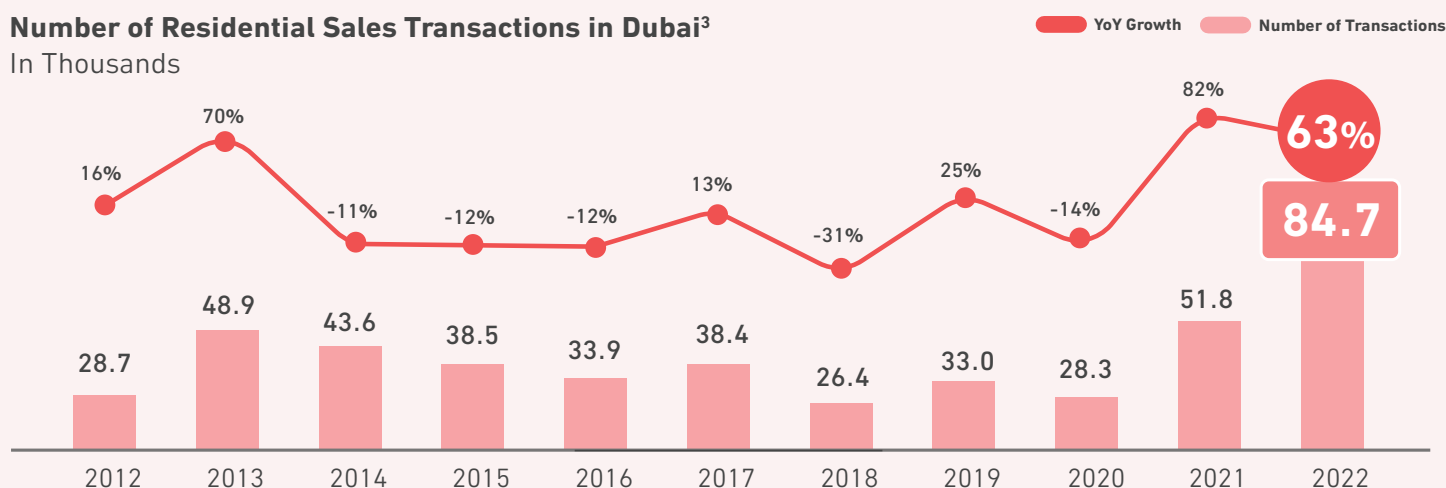
Affordability

According to a survey by HR consultancy firm Cooper Fitch¹, more than 90% of companies surveyed reported salary increases in 2022 and more than 55% reported an increase in headcount. Furthermore, nearly 60% of companies surveyed in the same report expect the trend to continue in 2023. Meanwhile, Dubai continues to rank favourably against other major global cities as demonstrated by UBS in their global housing bubble index².

Supply & Demand

New property handovers in 2022 reached a 35,560 properties, growing by nearly 16% YoY. Meanwhile, demand for properties far exceeded supply, with the number of apartment & villa purchase transactions reaching an all time high of 84,731 units representing more than a 63% growth YoY.

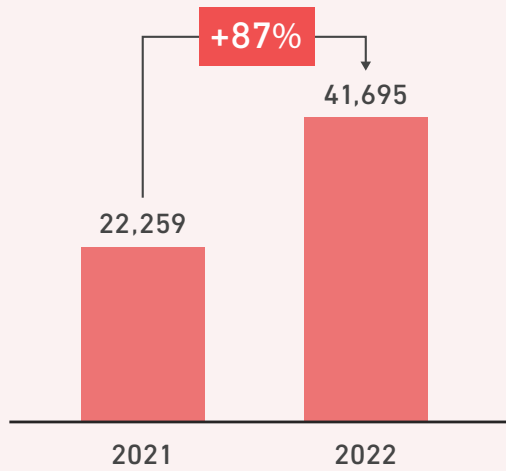
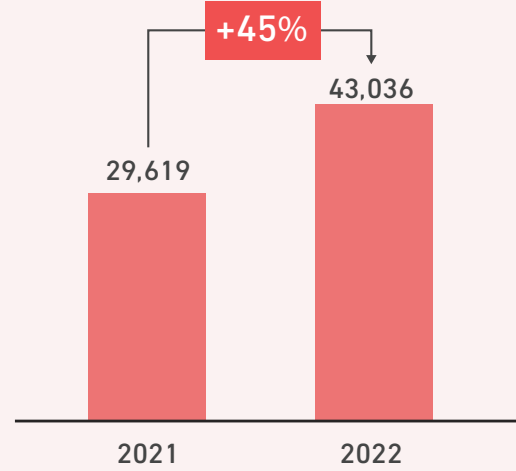
Number of Residential Sales Transactions in Dubai³ In Thousands



1. Source: Cooper Fitch - "United Arab Emirates Salary Guide 2023"

2. Source: Global Real Estate Bubble Index 2022

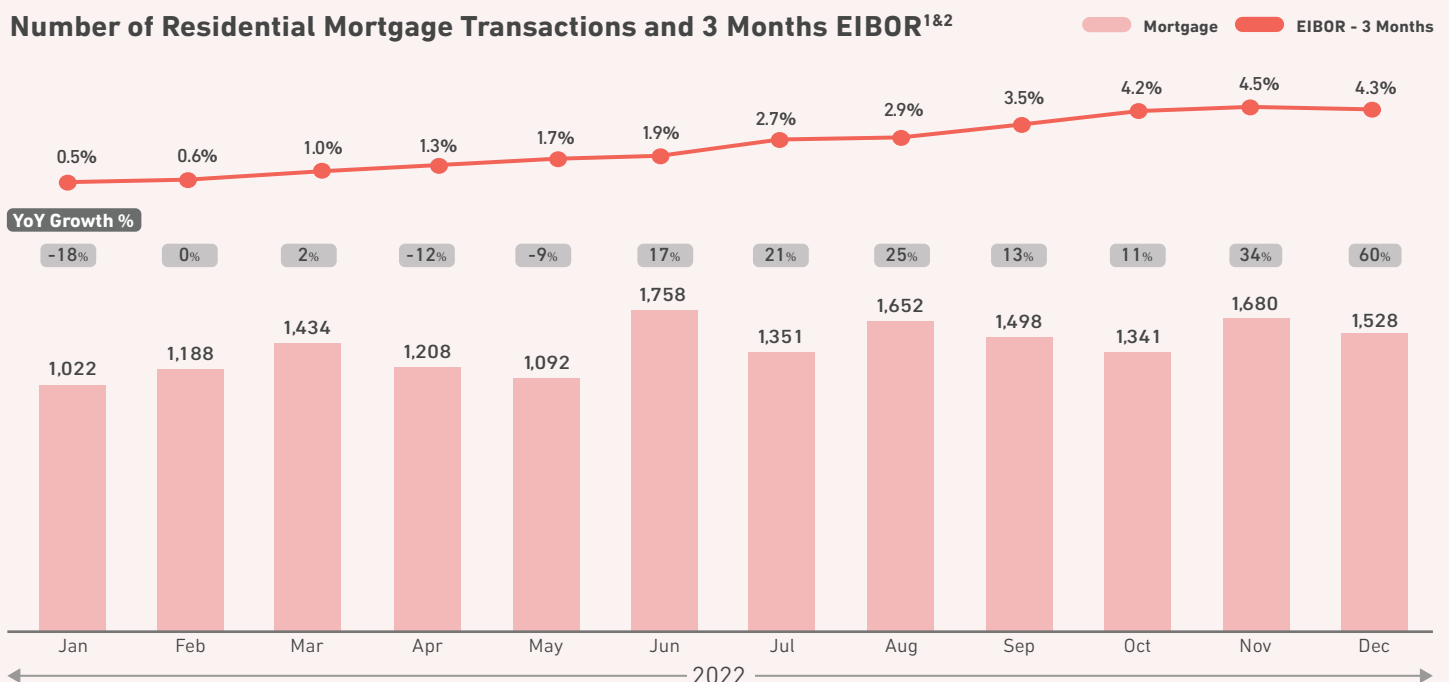
3. Source: DLD Open Data | Mortgage Finder analysis | Excluding commercial transactions and residential transactions above 25 Mn

Number of Off-Plan Residential Sales Transactions in Dubai¹

Number of Ready Residential Sales Transactions in Dubai¹


1. Source: DLD Open Data | Mortgage Finder analysis | Excluding commercial transactions and residential transactions above 25 Mn

Another significant driver for mortgage demand was the unprecedented rise in rents in 2022. Renters found themselves under pressure as many were served an eviction notice by their landlords to sell their property. Tenants were then faced with the new market reality of having to pay up to 50% higher rents. Those who had the means to make a down payment rushed to take advantage of interest rates remaining sub 5% throughout 2022 to secure a mortgage and buy their property. Property Finder search trends demonstrated significant growth in buyer search demand. This trend was validated by data from the DLD reporting a decline in rental transactions contrasted by an astonishing growth in sales transactions.

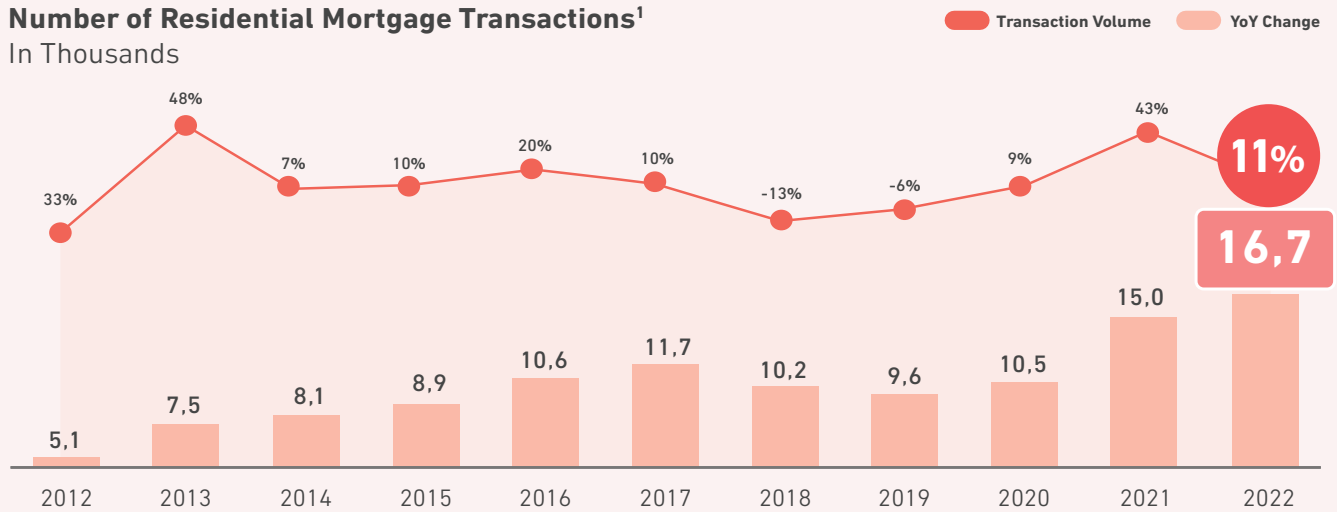
We saw an annual increase of more than 50% in mortgage applications in 2022 at Mortgage Finder. Meanwhile DLD mortgage transaction data demonstrated a continued momentum from 2021 by reaching 16,700 mortgage transactions in 2022, a record high volume for Dubai.

Number of Residential Mortgage Transactions and 3 Months EIBOR^{1&2}


1. Source: DLD Open Data | Mortgage Finder analysis | Excluding commercial transactions and residential transactions above 20 Mn
2. Source: UAE Central Bank

Number of Residential Mortgage Transactions¹

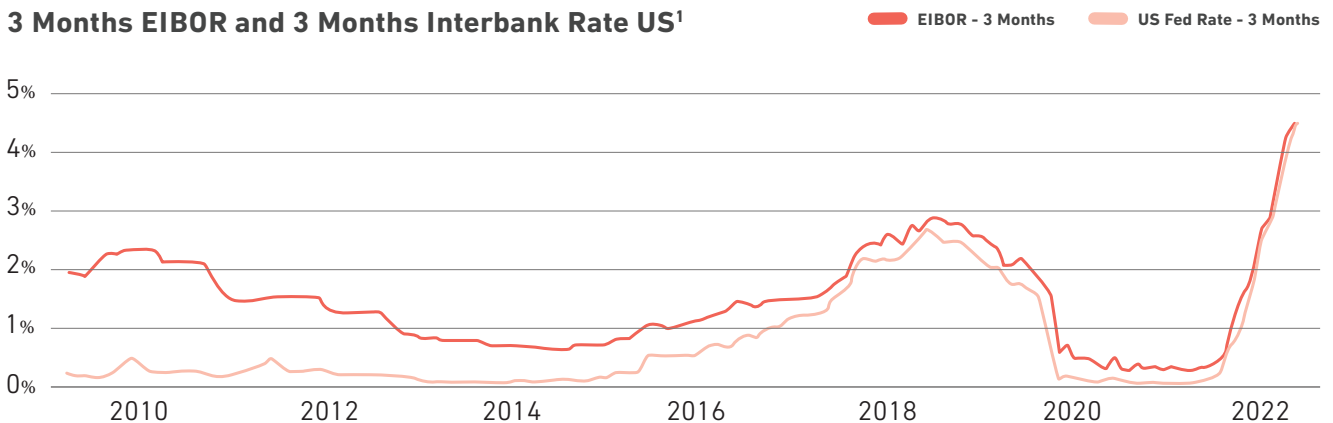
In Thousands



1. Source: DLD Open Data | Mortgage Finder analysis | Excluding commercial transactions and residential transactions above 20 Mn

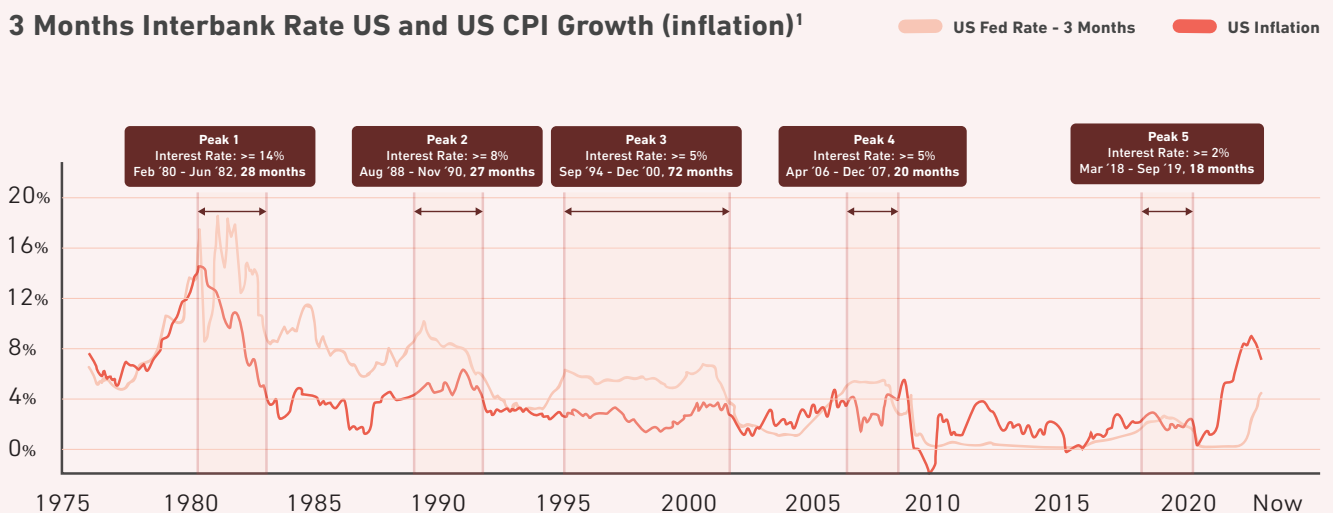
Mortgage rates in the UAE are directly linked to the EIBOR index, which is influenced by the US-fed funds rate given that the Dirham is pegged to the US dollar. With inflation rising at the highest and fastest levels since the early 1980s, mortgage rates followed suit, rising from below 2% at the start of 2022 to around 5% at the end of December.

3 Months EIBOR and 3 Months Interbank Rate US¹



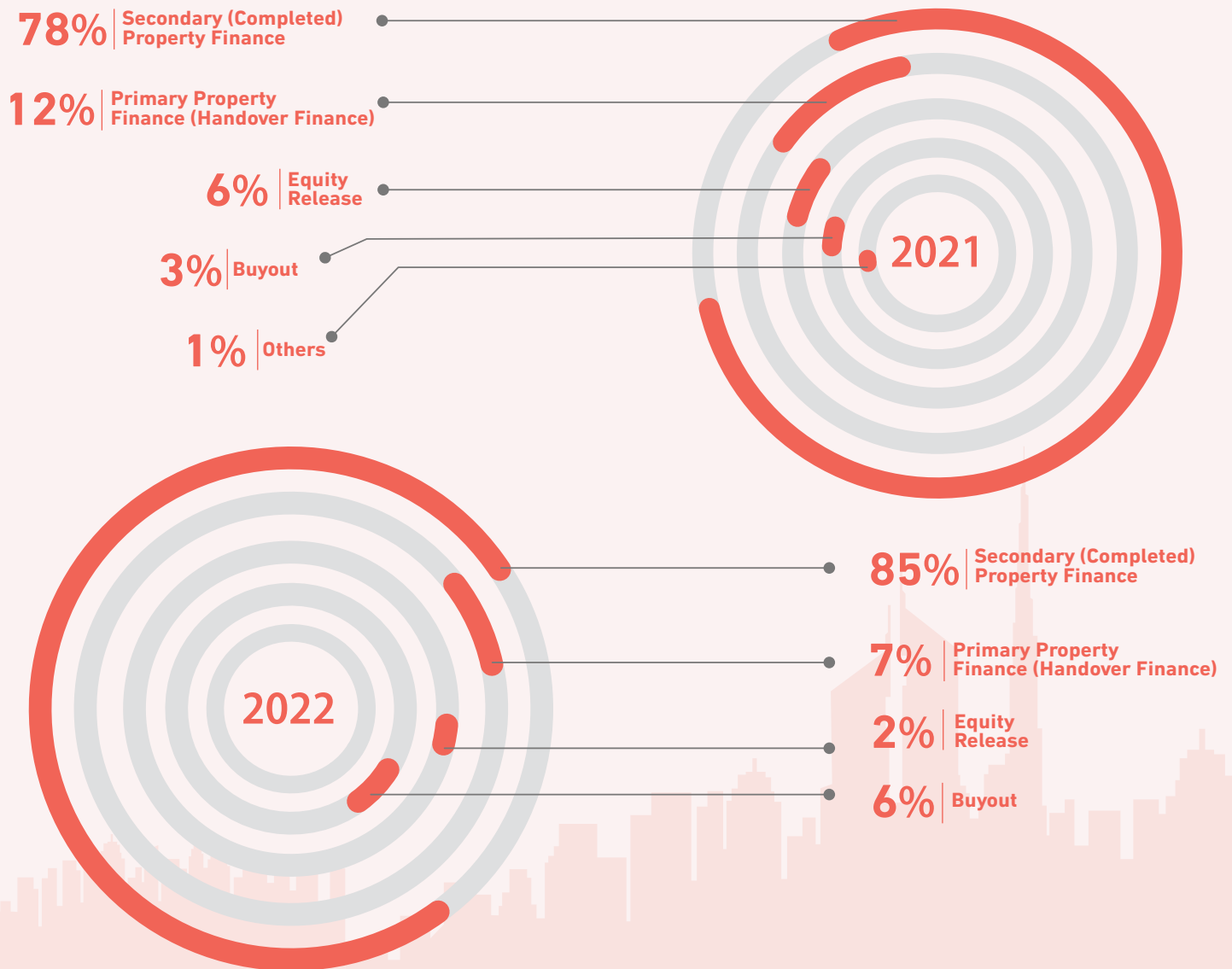
1. Source: USA Federal Reserve & UAE Central Bank

3 Months Interbank Rate US and US CPI Growth (inflation)¹



1. Source: USA Federal Reserve

Types of Mortgage Transaction



The percentage of buyout transactions doubled over the previous year in our origination activity at Mortgage Finder. This was a natural result of the rapid rise in mortgage rates. Most homeowners had opted for variable rates in previous years to take advantage of rates below 2% as no one was anticipating a large-scale war to break in 2022 driving inflation and exponentially higher interest rates. Transitioning to a fixed rate mortgage was the prudent decision to make for most in order to stabilize their housing cost.

Average Mortgage Term (Years)

2021	2022
21	21

Average Loan to Value (%)

2021	2022
73%	73%

Average Mortgage Value (Mn AED)

2021	2022
1.55	1.67

Types of Property Purchased

2021-2022, % of transactions volume



Villa

2021

Apartment



64%

36%

2022

51%

49%

Property Price

2021-2022, AED



Average Purchase Price, Villa

2021

Average Purchase Price, Apartment



2,911,045

1,623,536

2022

3,112,546

1,917,510

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

Primary (Handover)



Villa

ABOVE

17%

IN-LINE

67%

15%

BELOW

16%

39%

LEGEND 2021 2022

Secondary (Completed)



Villa

ABOVE

35%

IN-LINE

52%

28%

BELOW

13%

21%

LEGEND 2021 2022

Primary (Handover)



Apartment

ABOVE

33%

IN-LINE

26%

22%

BELOW

41%

65%

LEGEND 2021 2022

Secondary (Completed)



Apartment

ABOVE

34%

IN-LINE

43%

26%

BELOW

23%

26%

LEGEND 2021 2022

Accuracy on valuation is an indication of a healthier market.

Buyer Status

First- Time Buyer

82%

2021

Experienced Buyer

18%

First- Time Buyer

76%

2022

Experienced Buyer

24%



Residency Status

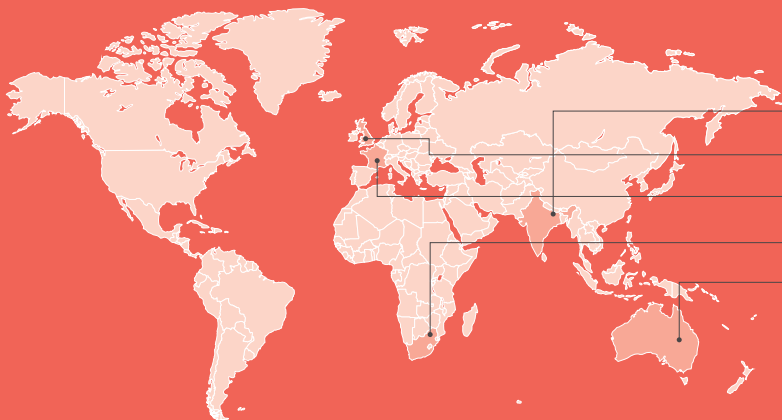
2021


94%
Residents

6%
Non-Residents


2022


95%
Residents

5%
Non-Residents


Top 5 Nationalities Of Borrowers

India

United Kingdom

France

South Africa

Australia



INTERESTING FACT

We completed mortgages for borrowers from 64 different countries.

Top 5 Industries

(the majority of borrowers worked in)

1. Airlines/Aviation



2. Management Consulting



3. Financial Services



4. Real Estate



5. Information Technology & Services



Income Ranges

AED per month

	2021	2022
<20k	13%	8%
21-40k	17%	29%
41-60k	37%	30%
61-80k	27%	16%
81k+	6%	17%

Another sign of the UAE market evolving to organic buying behaviour is that our largest volume increase came from the middle income segment.



INTERESTING FACT

Our youngest borrower was 24 and the oldest was 65.



2023 Outlook

As we prepare this report in January 2023, our team is seeing the trend continuing from last year, with more than 60% increase in Mortgage Applications at Mortgage Finder. The number of inquiries is rapidly growing and our business partners in the banking and real estate industry are all reporting a strong start to the year.

Ultimately, we see the real estate and mortgage activity being the key driver of the UAE's growth story. Constant government reforms, a rapid emergence of an innovation ecosystem creating more jobs and the overall appeal of the UAE that continues attracting people from all over the world to migrate are only a handful of factors driving economic expansion in the UAE.

We continue to encourage home-seekers to consider home ownership as we fundamentally believe that owning a home is almost always the right decision especially for those planning to stay in the UAE for 5 years or more.

More than 15 years ago, Property Finder was founded to empower home-seekers to find the right home. Our team at Mortgage Finder continues to be energised by the opportunity and privilege of enabling home ownership to thousands every year and look forward to being at your service alongside our industry partners in banking and real estate.



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