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There may be some green shoots in the UAE property market

◆ Some of the worst performers this year in the Dubai stock market index are property developers.

◆ The number of real estate deals in Dubai is on track to surpass 2019, and their value is the highest in five years.

◆ Falling mortgage rates in the UAE have increased home affordability.

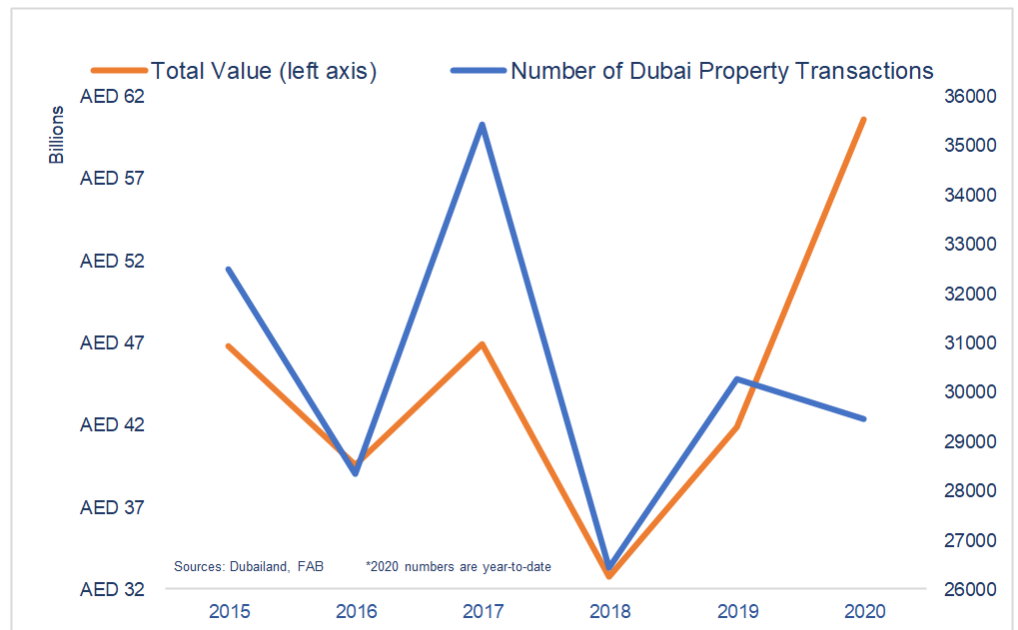
◆ That contrasts with Europe, where the latest data show investment volumes increasing 19% over the second quarter, though they remain 33% below where they were last year.

◆ The FAB AAC remains marginally underweight in global stocks and overweight in EM and IG bonds.

Property is a big part of the world economy and in particular of the UAE. It is no wonder, that, together with financials, the sector comprises the biggest component of the UAE equity indices. Unfortunately, developers in Dubai have not done as well as their US counterparts, to name one group.

The S&P 500 Homebuilding Sub Industry index has gained 26.5% so far this year, despite the big sell-off in March. That has been a reflection of higher expected prices and volumes of real estate transactions on the back of lower interest rates in the US.

Indeed, sales of new single-family houses have increased 31.2% in the US this year. In January, housing starts also hit their highest since 2007, and nearly touched that level again in July. These two are moving so fast probably because mortgage rates in the US are at their lowest in history.



Mortgage rates in the UAE are headed in the same direction, considering that the local currency and the benchmark rate for them are pegged to the US dollar. That may be part of the reason why here, too, the volume of transactions is rising rapidly.

According to government agency Dubailand, there have been 29,452 deals for an aggregate amount of AED60.58 billion so far this year in the emirate. The amount is the highest in at least five years and the number of deals is on track to surpass last year's. More importantly, the average value of deals has increased nearly 49% compared to last year.

That does not mean, however, that the value per square foot has risen by that much. Instead, it means there have been a few more very high value deals. In other words, there is more bargain-hunting at the top end of the market, the data suggests. Regardless, this means that investors' eyes are turning to Dubai again.

The total value of property transactions in Dubai is at the highest in at least five years

The increase in value and volume is also in contrast to what is happening in Europe. According to the latest Savills report, transaction volumes there increased by 19% in the third quarter compared to the second, but remained 33% below the levels recorded at the same time last year.

The better transaction picture has still not been reflected in the bottom line of some of Dubai's developers. The listed companies in the sector have shown net losses or large drops in profits and revenues this year. The fifth consecutive quarterly loss for Damac Properties, for instance, prompted Chairman Hussain Sajwani to tell Bloomberg today: "We are optimistic that Dubai Expo next year will reap positive rewards." Insha'allah!

Investment Strategy Update

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