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## Say you were to sink your teeth into a piece of real estate..

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**Should you buy, should you rent? It's the million dirham question expats in Dubai play with. Our advice? We're all for down payments**

Buying a house is arguably one of the biggest and the most important financial decisions. For many, it's once in a lifetime affair, too, as down payments and high interest rates often act as impediments. But as an expatriate, there's another dimension of thought that is significant: where to buy? Should we buy in the country of residence, say the UAE, or the home country?

The decision is definitely a personal one and depends on umpteen factors. Yet if we weigh it in terms of financial discipline, the scales tilt heavily in favour of buying in the country of residence. Here's why. Firstly, the interest rates on home loans in the UAE are quite competitive, hovering at around 3 to 4 per cent per annum. Secondly, the yields on properties in Dubai, in particular, are attractive, at around 7 to 8 per cent per annum as per industry experts. Plainly speaking, it means if you invest Dh100 in a property here, you will get Dh7 to Dh8 as a return per year. Comparatively in Delhi, London, or even New York, yields on properties are in the range of 1.5 to 2 per cent. Real estate investment in Dubai beats counterparts in Singapore and Hong Kong, too, in terms of returns.

For instance, a two-bedroom house in Dubai Silicon Oasis is available for rent at Dh90,000 annually. Per month it works out to Dh7,500. However, if you invest in the same house you will still be coughing up around the same amount as monthly mortgage. The property, as per a property aggregator website, costs Dh950,000. At a flat mortgage rate of 3 per cent, the EMI comes out to be Dh5,740 per month for a period of 15 years (see table for more details). The only caveat is saving up for a down payment of about 25 per cent and ancillary costs for the registration of the property. All in all, this is around Dh313,500, which is about 33 per cent of the cost of the property.

"For a large number of individuals and families, there is a tendency to spend most of the income, maybe even all of it and more through borrowing on credit cards for example. For these individuals, a home purchase instils discipline both for the initial payment, and also ensures that a certain component of their income goes through servicing the mortgage on a regular basis. The regular servicing of the loan tends to build in a discipline that continues even after the loan comes to an end, and that amount can then be invested into other alternative investments for a similar amount," says Vishal Dhawan, CEO, Plan Ahead Wealth Advisors with offices in India and the UAE.

The decision to buy also keeps emotional decisions under check, argues Dhawan. "A mortgage that typically accompanies a real estate purchase could mean that actions based on short term dissatisfaction professionally, tend to be thought through much more carefully and decisions on how to deal with that tend to be evaluated carefully. While this can sometimes feel like taking away an individual's freedom, this can also allow time to avoid taking emotional decisions on the go and think through actions with a calm mind," he adds.

Still, many prefer to rent in the UAE rather than buy. Why? It's certainly not the lack of means, for many expatriates shell out good amounts on rented accommodation. It is, I suppose, financial indiscipline and the fear of apparent uncertainties that invariably accompany an expatriate's life. "We have two school-going children, and my husband is the only one who earns. We spend around Dh70,000 on rent annually, and haven't invested in a property here as yet. I am not sure if we should. What if he loses his job? How will we pay the EMIs? The laws here are pretty strict, so we are very conscious of the choices we make," says Anita Desai, a homemaker staying in Jumeirah Village Circle.

A counter argument for that would be insurance policies. It is easy to bundle mortgage loans with policies that protect payers in case of a sudden job loss, says Vineeta J, a real estate agent based in Dubai.

"I came to Dubai in 2010, and invested in a house in 2012. There are many factors that dictated my decision. Foremost was that I planned to live here for at least five years or probably more. Also, the EMI of the house was almost at par with the rent I was paying. So I took a plunge and bought it. I didn't have enough for down payment, so I also took a personal loan. For four years, I had to struggle a bit, but then it pays off. My property has already gained 35 per cent," says Dharmender Rawat, a Dubai-based manager in an aviation firm.

There's merit in investing in a home. Arguably, this saves money that would have otherwise made it to the coffers of the landlord or landlady. Investing in a property can also create a nest egg for retirement or other big financial decision that you would have to make. If in about 10 or 20 years you plan to move to greener pastures to spend your sunset years in the mountains, or by the beach, like I do, the value of your house would supplement your income and allow for a happier and financially stress-free retirement.