



Dubai Residential

Assessing Affordability

Evaluating Dubai's Affordability Trends in an International Context

Executive Summary

- **Local Affordability Trends**

Looking at Dubai in a vacuum shows that it is at least just as unaffordable as it was five years ago. This is according to two metrics: the price-to-rent and price-to-income ratios. The price-to-rent ratio is a measure that compares the cost of buying a property to the annual cost of renting it, and the price-to-income ratio compares average home prices to average incomes. While the price-to-rent ratio has been declining over the last two years, it is still higher than it was in 2020. The price-to-income ratio also looked to be improving, but saw a sharp rise in 2024 to match 2020 levels, effectively cancelling out the improvements seen in the interim.

- **International Comparisons**

Comparing Dubai to other major international cities returns mixed results. On the one hand, cities like Paris and Hong Kong have had consistently higher price-to-rent ratios, and New York and London have had consistently higher price-to-income ratios over the past five years. On the other hand, cities like Houston and Riyadh have been consistently more affordable, and although London had a higher price-to-rent ratio for the first eighteen months of the time period in question, Dubai has since surpassed it and been consistently higher ever since.



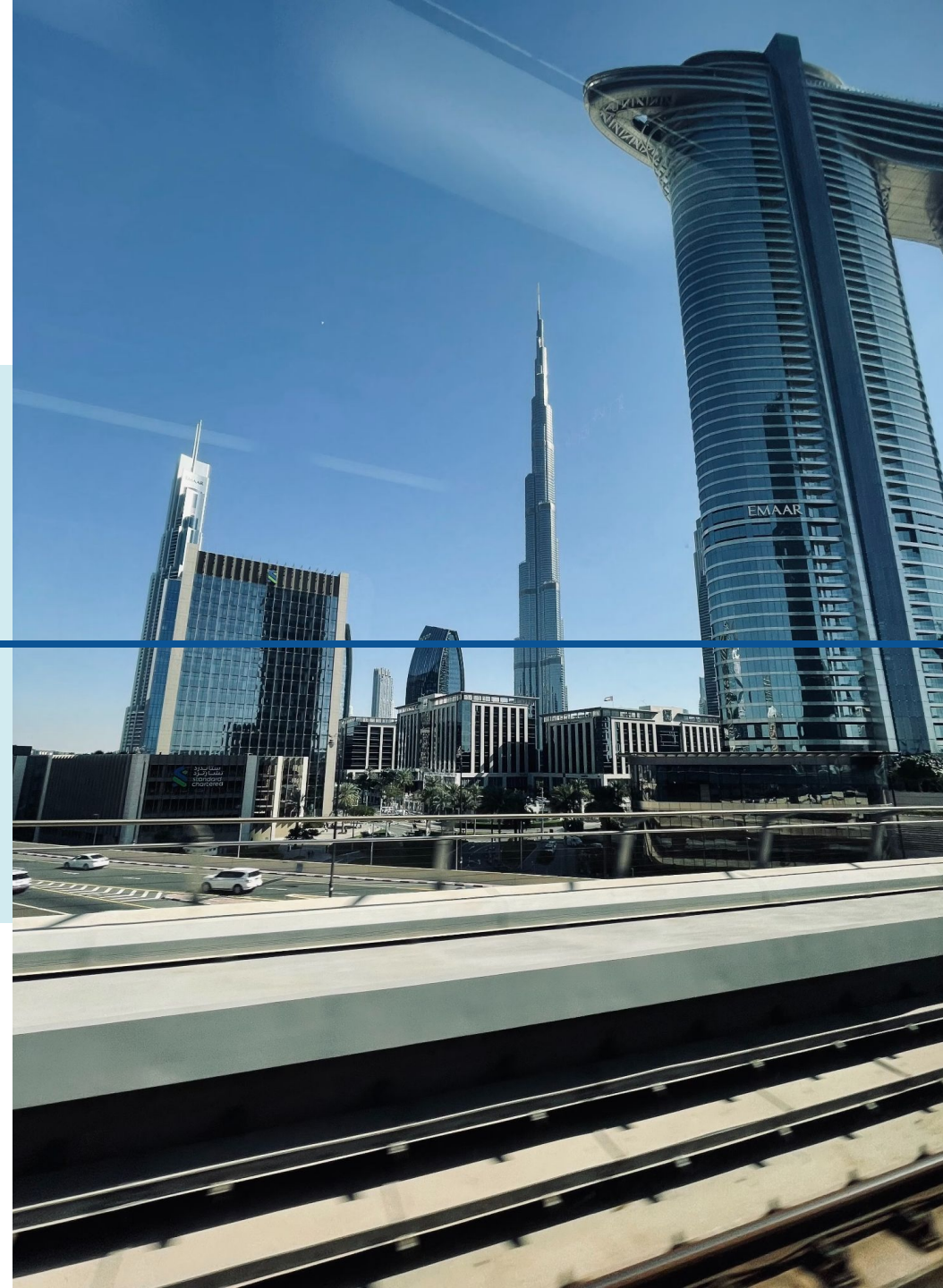
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Local Affordability Trends

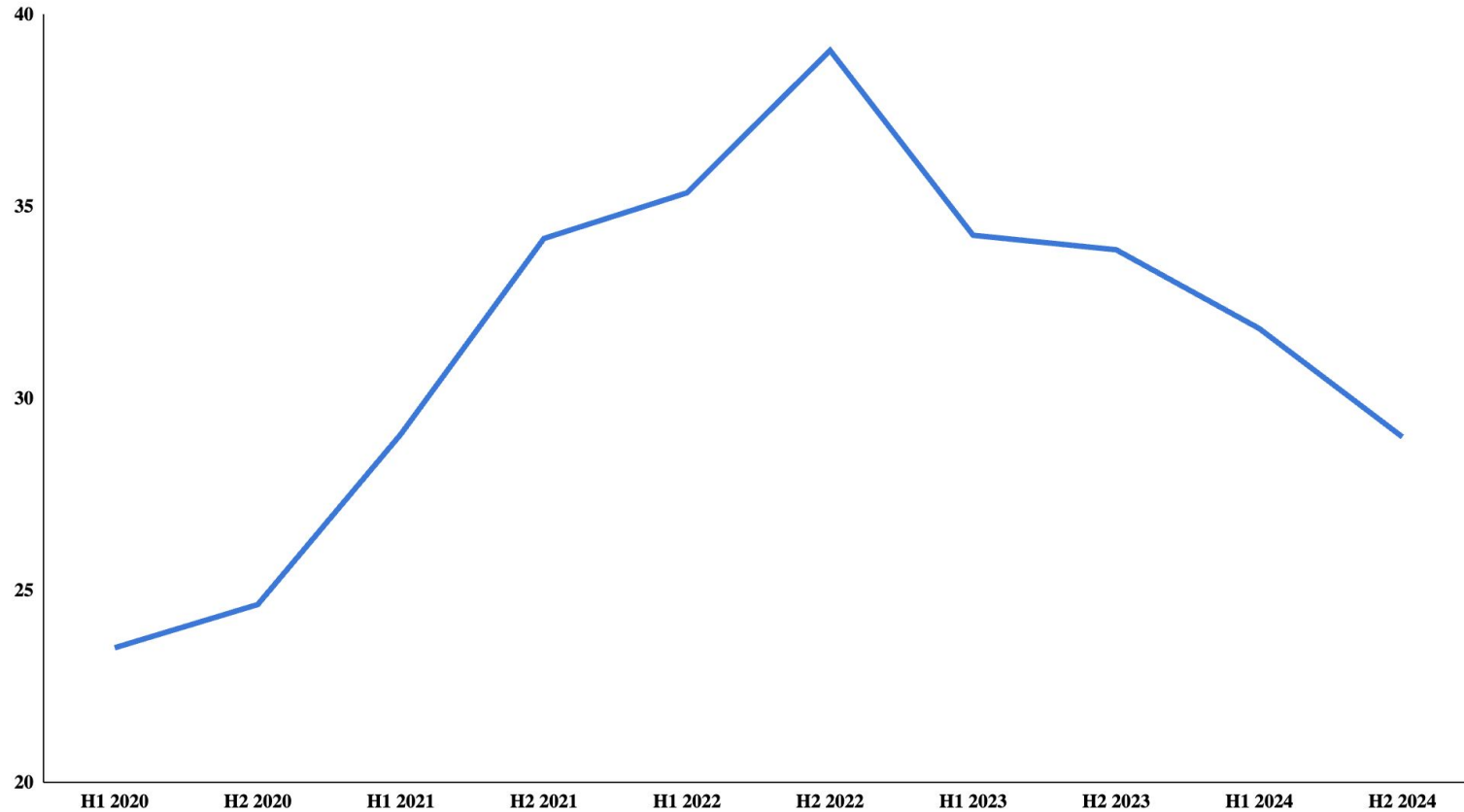
"The pessimist complains about the wind; the optimist expects it to change; the realist adjusts the sails."

– William A. Ward



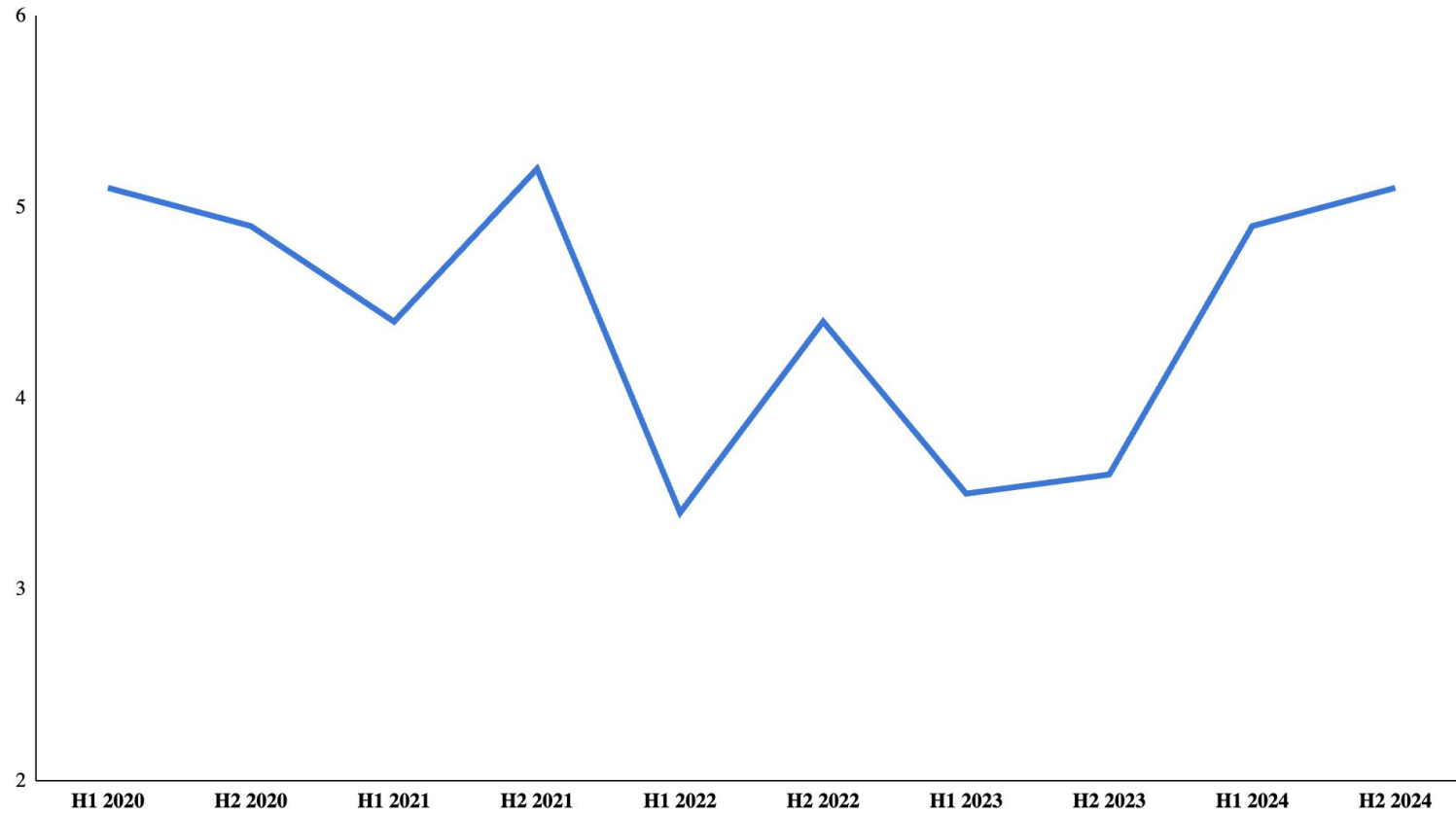
Price-to-Rent Ratio

Price:Rent Ratio Dubai 2020-2024 (Mean Price/Rents)



The graph above shows that Dubai has generally become more expensive to own property as opposed to renting post-COVID. Although the price to rent ratio peaked in H2 of 2022 and has since declined, the most recent ratio (H2 2024) of 29 is still a significant increase from the 23.51 seen in H1 of 2020.

Price:Income Ratio Dubai 2020-2024



The price-to-income ratio looked to generally be trending downwards, but saw a surge in 2024. The ratio currently stands at 5.1, representing no change from its level in H1 of 2020, and saw its best post-pandemic level in H1 of 2022, when it reached as low as 3.4

International Comparisons

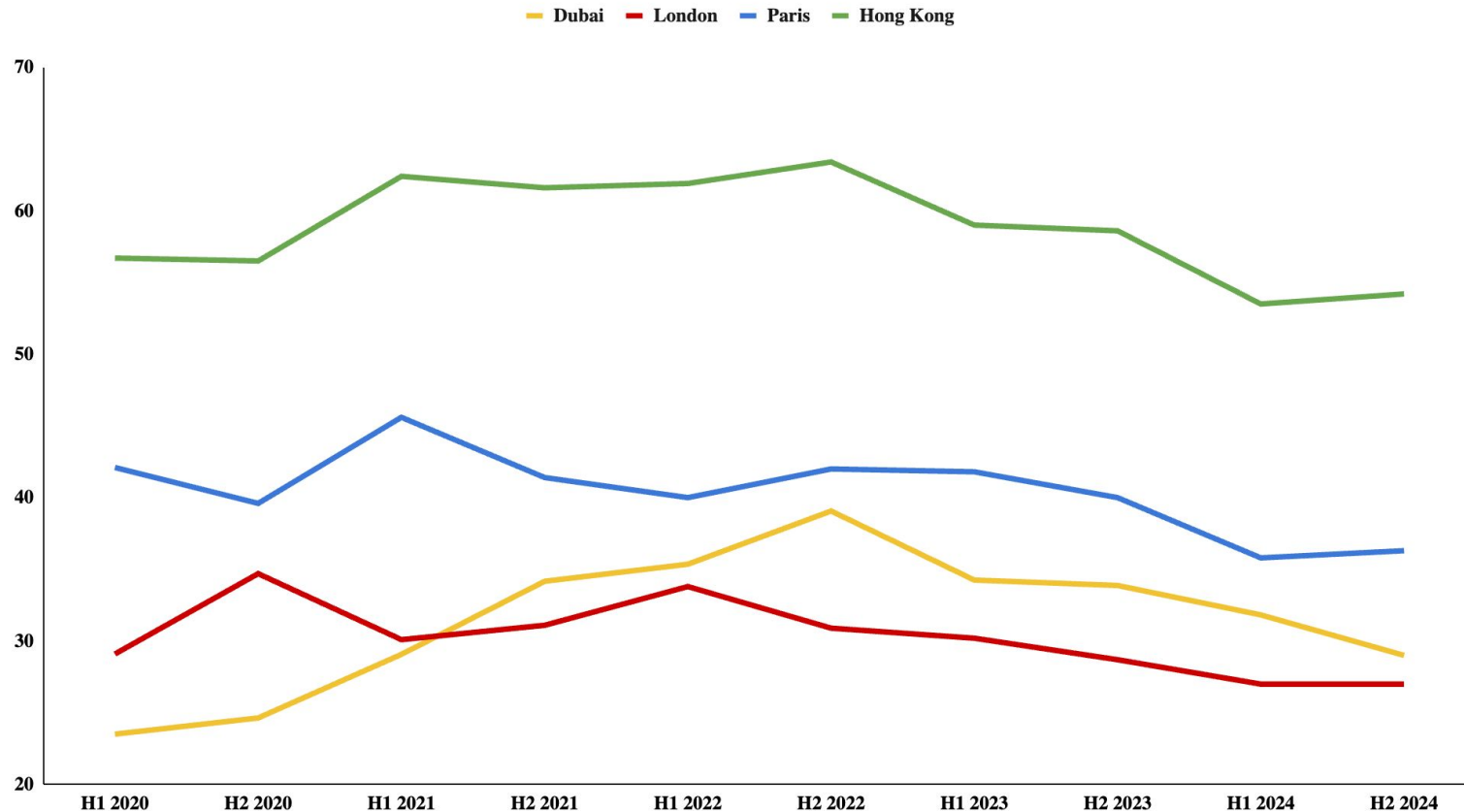
“A man is the whole encyclopaedia of facts. The creation of a thousand forests is in one acorn, and Egypt, Greece, Rome, Gaul, Britain, America, lie folded already in the first man.”

– Ralph Waldo Emerson



Price-to-Rent Comparison

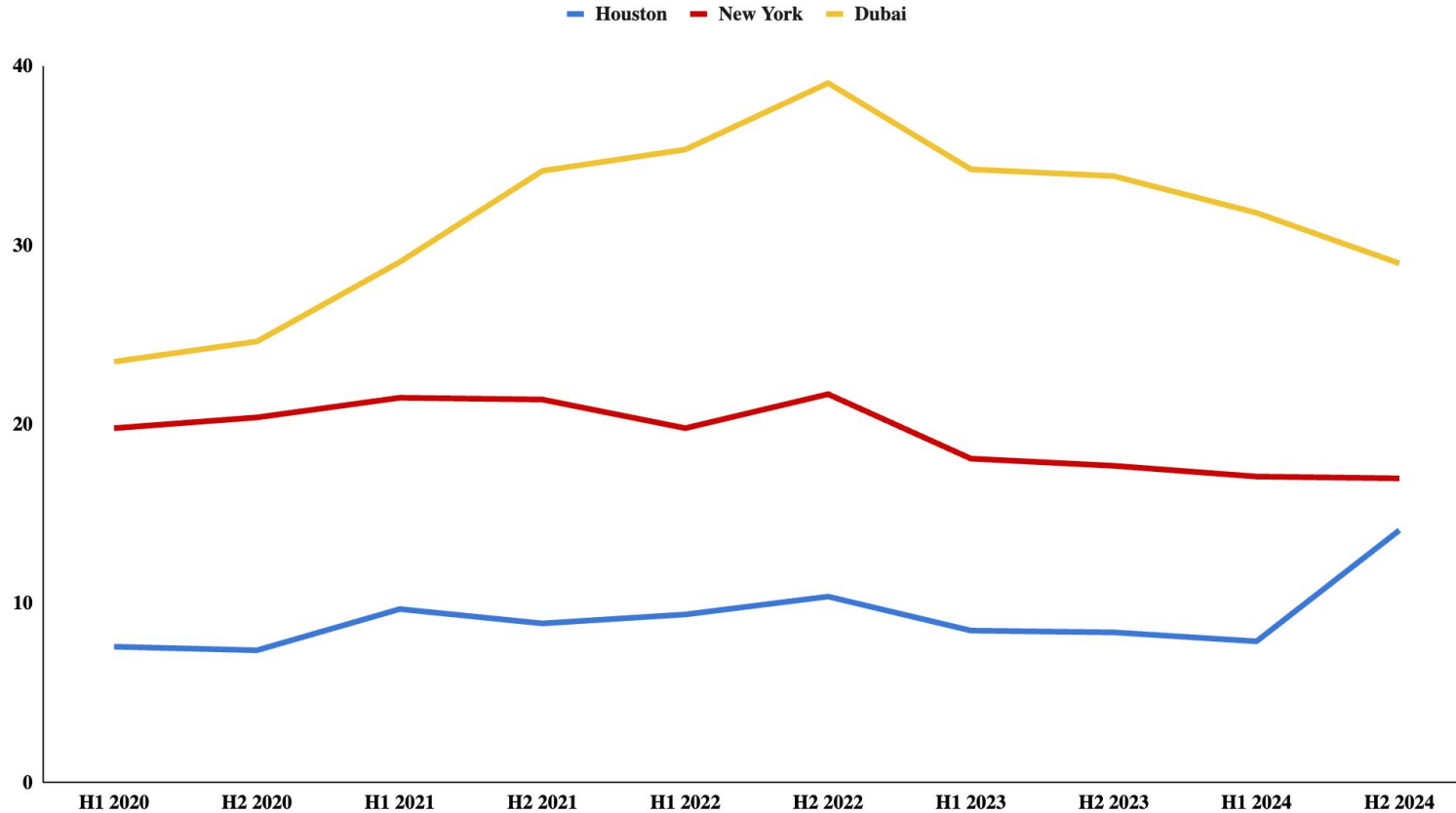
Price:Rent Ratio for London, Paris, Hong Kong and Dubai 2020 - 2024 (Mean Prices)



In the context of international markets, we can see from this graph that the cost of owning property relative to renting remains cheaper in Dubai than in other major cities such as Paris and Hong Kong. Noteworthy here is the fact that Dubai surpassed London's price to rent ratio in H2 of 2021, which is especially concerning given London's notoriety for its high cost of living.

Price-to-Rent Comparison Comparison (Continued)

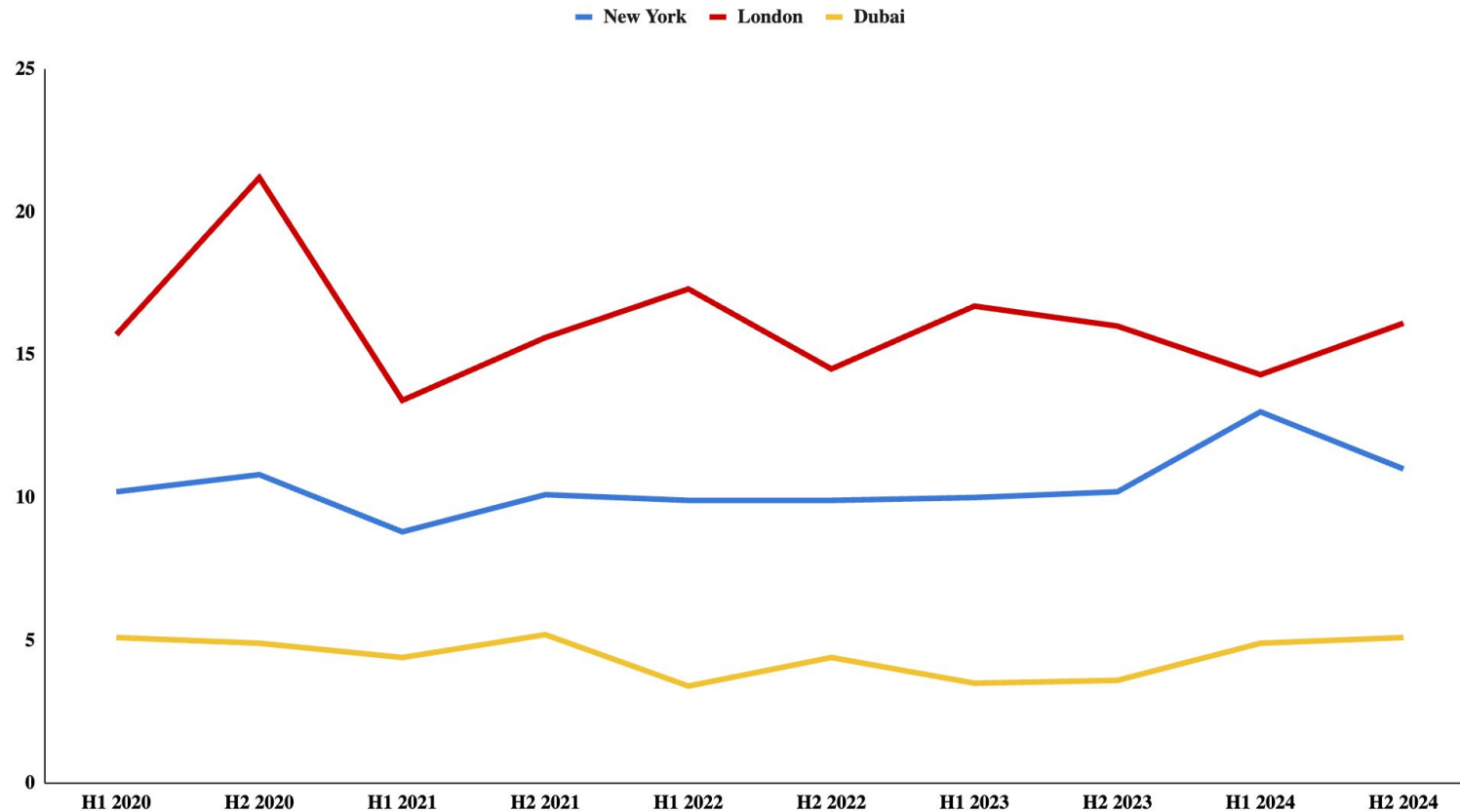
Price:Rent Ratio for Houston, New York and Dubai 2020 - 2024 (Mean Prices)



Despite remaining cheaper than the likes of Paris and Hong Kong, Dubai has been consistently more expensive than other major international cities post-COVID such as New York and Houston. Granted, in the case of New York, this is likely due to the presence of rent-controlled properties, which may be a policy that could be considered for Dubai given the increased attention on affordability.

Price-to-Income Comparison

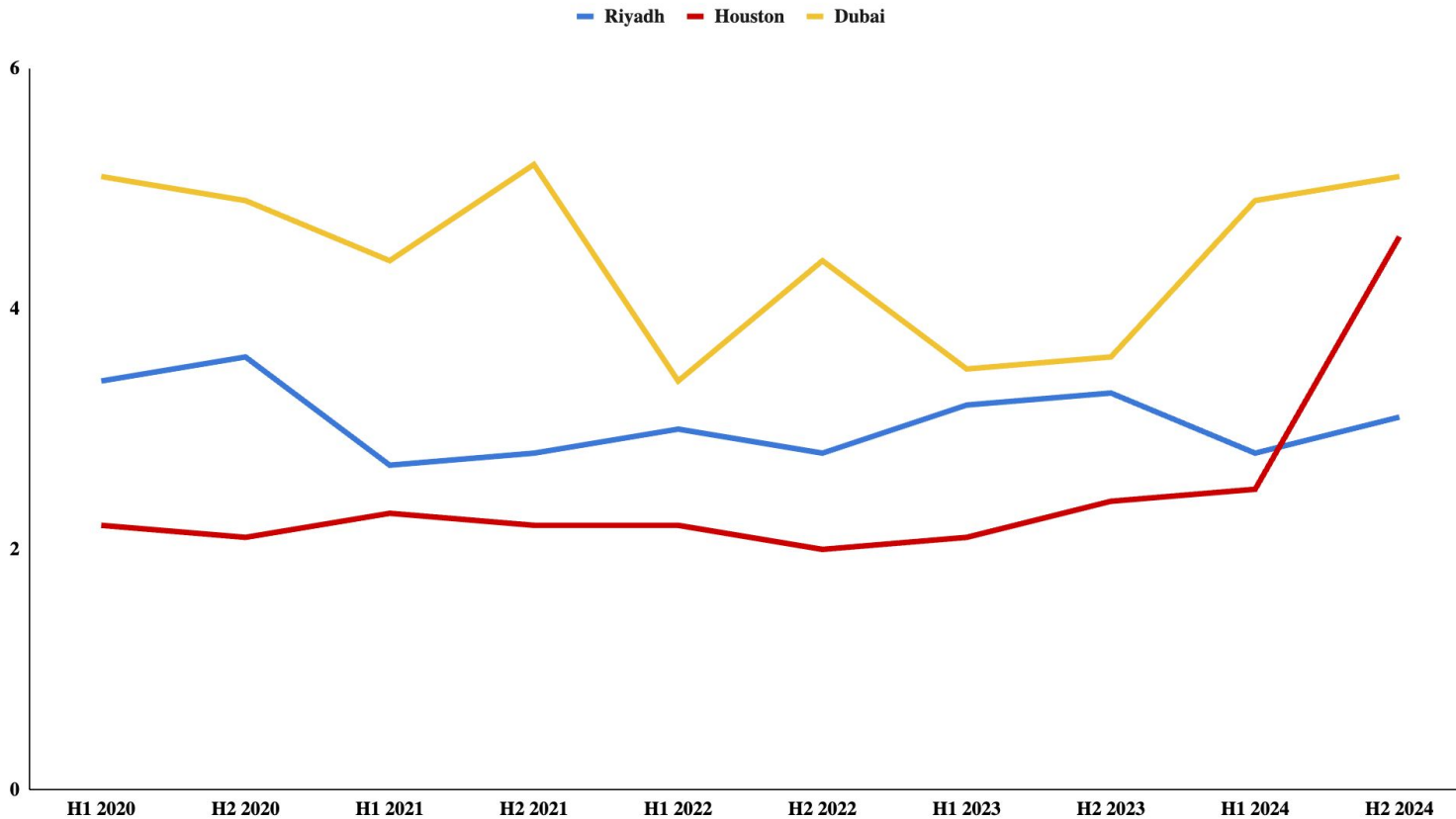
Price:Income Ratio for New York, London and Dubai 2020-2024



However, when it comes to price-to-income ratios, the aforementioned trends invert somewhat, to where Dubai is now still more affordable than New York and London, as it has been throughout the last five years. This is likely in part due to the higher VAT rates in London, and the presence of income taxes having a dampening effect on incomes in both London and New York.

Price-to-Income Comparison

Price:Income Ratio for Riyadh, Houston and Dubai 2020-2024



Despite this, major international cities like Houston and regional competitors like Riyadh remain more affordable than Dubai. Houston saw a major surge in its price-to-income ratio in H2 of 2024, which likely owes somewhat to the inflationary response to its population increase, as southern American states like Texas continue to be attractive residential propositions due to their greater affordability.

Conclusions

Local Affordability Trends

Although Dubai's price to rent ratio peaked in 2022 and has been generally trending downwards since, it still remains more expensive to own property than it is to rent relative to H1 of 2020. Similarly, the city's price to income ratio seemed to be trending downwards, but saw a resurgence in 2024 to the extent that Dubai is just as affordable (or unaffordable) as it was five years ago.

International Comparisons

Looking at these ratios alongside major international cities reveals a mixed bag. Although it is cheaper to own property relative to renting in Dubai than it is in Paris or Hong Kong, it is now more expensive than it is in London, New York or Houston. Similarly, Dubai's price to income ratio, while still better than those of New York or London, remains higher than major cities like Houston and Riyadh.

Conclusion

Affordability looks to dominate the discourse agenda for 2025, especially as the growth in luxury property prices looks to be cooling off. This is clearly an area of focus for local policymakers, as the introduction of the new smart rental index is no doubt in part meant to curb rising rents by controlling for building quality in response to inflationary rent pressures. The real time nature of the updates to the index are meant to encourage transparency, shifting the balance of bargaining power back in favor of tenants by providing them with up-to-date information about their desired properties as well as other comparable ones. Furthermore, it will also curb the ability of landlords to keep raising rents without upgrading - or at least providing the necessary maintenance - to their facilities. As we move further into the new year, more of these affordability-oriented policies may need to be implemented (see our previous report "All About Affordability").

H2 of 2022 saw Dubai's highest post-COVID price to rent ratio at 39.07.

As of H2 2024, Dubai had a price-to-rent ratio of 29. By contrast, London - which is widely considered to be in the midst of a cost of living crisis - had a price-to-rent of 27, meaning that it is still relatively more affordable to own property as opposed to renting in London than in Dubai.



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