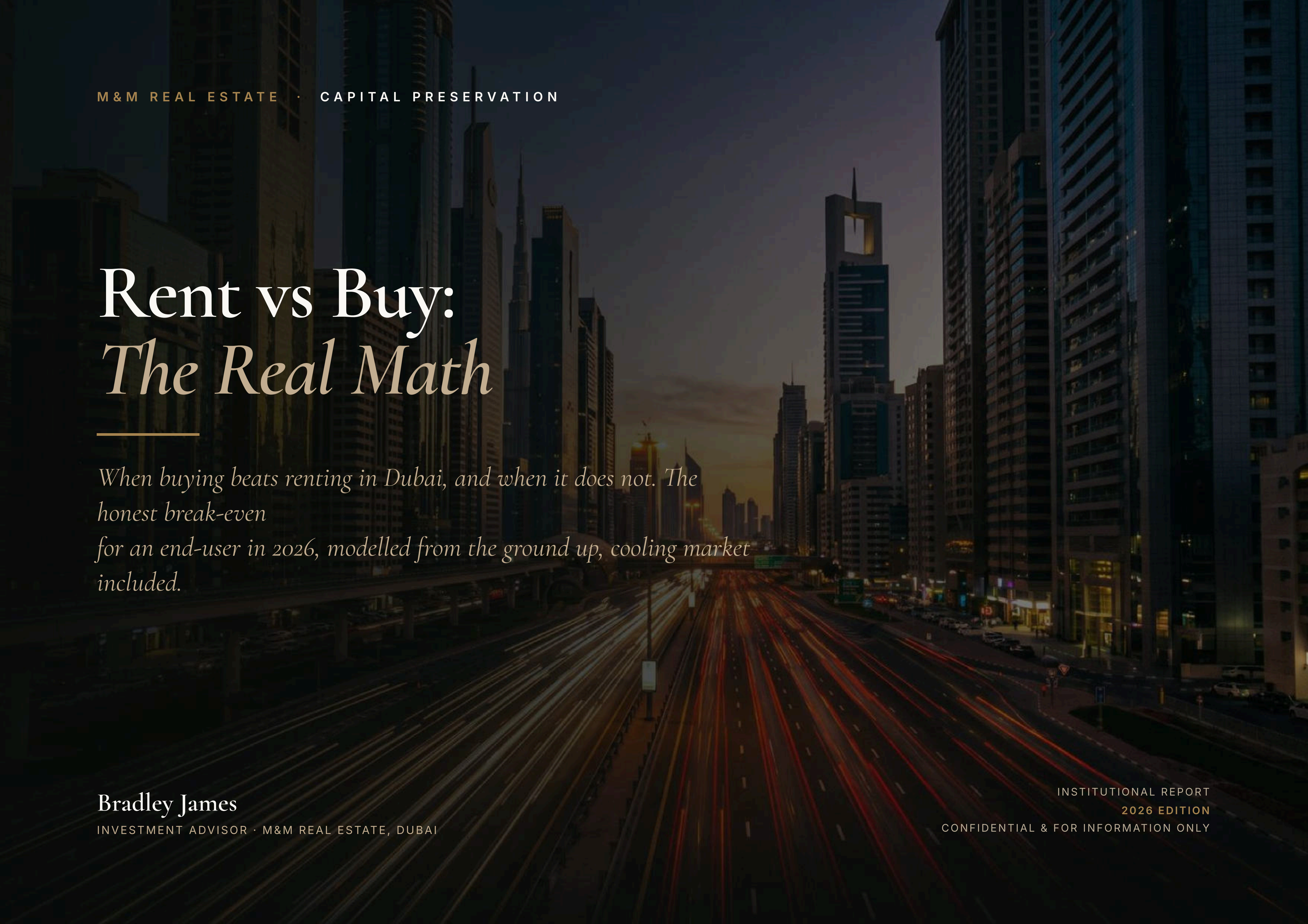

M&M REAL ESTATE · CAPITAL PRESERVATION

Rent vs Buy: *The Real Math*

When buying beats renting in Dubai, and when it does not. The honest break-even for an end-user in 2026, modelled from the ground up, cooling market included.

Bradley James

INVESTMENT ADVISOR · M&M REAL ESTATE, DUBAI

INSTITUTIONAL REPORT

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What This Guide Covers

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CHAPTER ONE

The Real Question

Rent versus buy is not an argument about identity or discipline. It is a break-even, and one variable decides it more than any other.

CHAPTER 01 · THE FRAME

It Is a Break-Even, Not a Belief

Most rent-versus-buy debates are really arguments about temperament. One camp calls renting money thrown away. The other calls buying a trap of illiquid capital and hidden costs. Both are talking past the only question that matters, which is arithmetic, not identity.

The honest version is simple. Buying carries a large one-off cost to get in and a smaller one to get out, so it starts you in a hole. Renting carries no entry cost but pays a bill that never stops and tends to rise. So the whole decision turns on one variable: how long you're going to hold. Hold for a short time and the round-trip cost of buying never gets repaid, so renting wins. Hold for long enough and rising rent plus the equity you build overtakes that cost, so buying wins. Everything else is detail around that crossover.

Dubai has a particular twist, and it's worth stating up front because it tilts the answer. Rents here are high relative to prices, which is another way of saying yields are high and the price-to-rent ratio is low. That pulls the crossover earlier than it sits in London, Sydney or New York, where a buyer can wait a decade to break even. So on the pure math, Dubai leans buy-favourable sooner than most global cities. This guide will show you exactly why, and then it will be just as clear about the cases where renting is still the right call, because in 2026, with the market cooling, those cases are real.

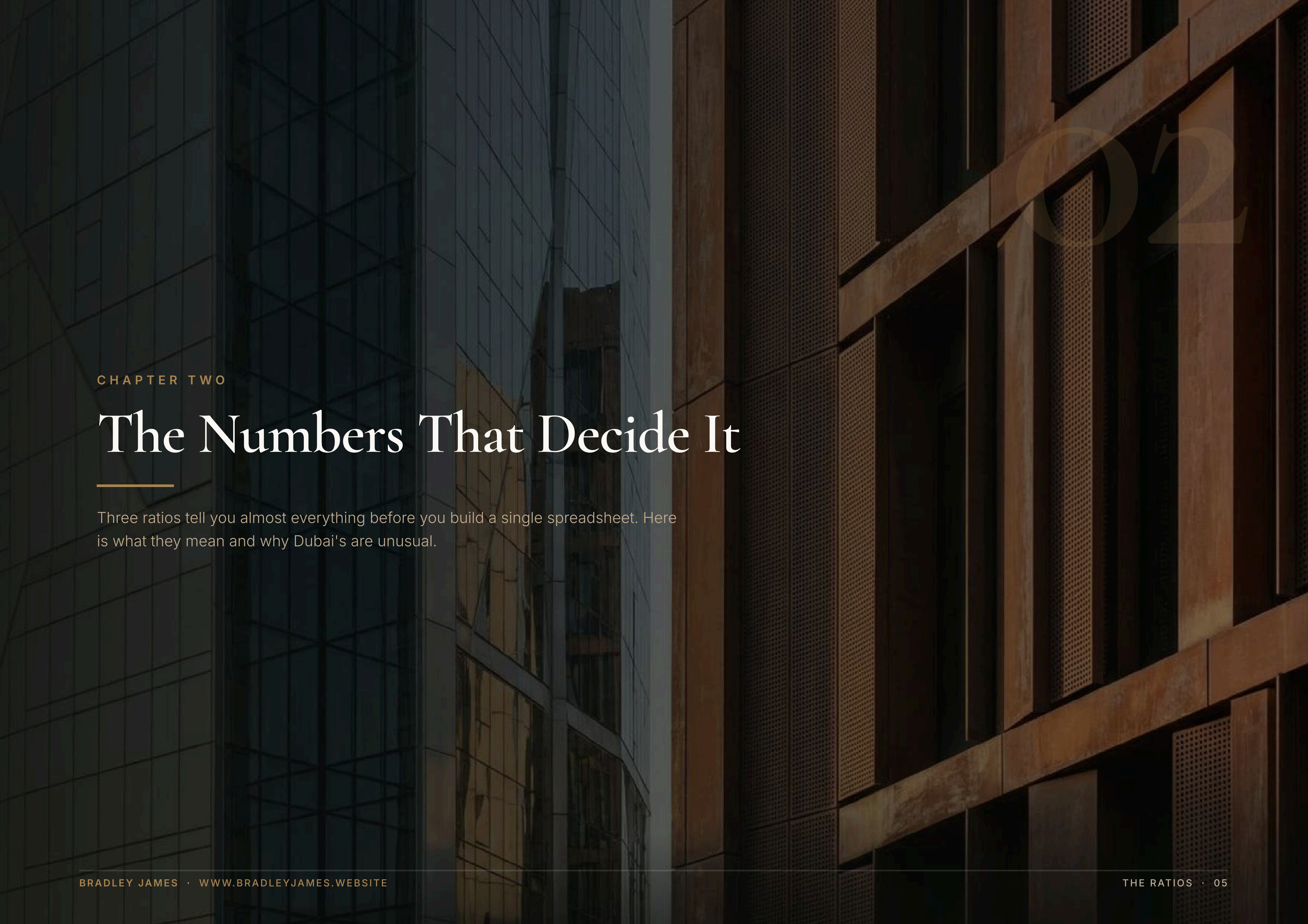
Read this the way I'd walk a client through it. Not as a pitch for buying, but as a model you can put your own numbers into, so the decision is yours and it's made with your eyes open.

THE ONE VARIABLE

- Buying starts in a hole: a large entry cost, a smaller exit cost.
- Renting has no entry cost but a bill that never stops and keeps rising.
- The decision turns on holding period, not ideology.
- Dubai's high yields pull the crossover earlier than global cities.

THE FRAME

"This isn't about whether renting is for the weak or buying is for the wise. It's a break-even. Find your crossover year, then decide."



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CHAPTER TWO

The Numbers That Decide It

Three ratios tell you almost everything before you build a single spreadsheet. Here is what they mean and why Dubai's are unusual.

What the Ratios Are Telling You

Start with the single cleanest number in this whole debate: the **price-to-rent ratio**. For Dubai city centre it sits at **14.06** (Numbeo, updated 15 March 2026). That means the average home costs roughly 14 times its annual rent. Flip it over and you get an implied gross yield of about **1 divided by 14.06, or near 7.1%**, which reconciles almost exactly with the city apartment yield of **7.0% to 7.2%** in the market data. Two independent numbers pointing at the same place is a good sign the picture is real.

Why does a low price-to-rent ratio matter? Because it's the whole rent-versus-buy question compressed into one figure. In global gateway cities the ratio often runs 25 to 40 or higher, which means rent is cheap relative to price and buying can take a decade or more to justify. Dubai at roughly 14 is the opposite: rent is expensive relative to price, so the money you'd spend renting stacks up fast against a purchase. That's the structural reason the crossover comes earlier here.

The other two ratios frame affordability rather than the buy decision itself. Dubai's **price-to-income ratio is 7.26** and the **mortgage-to-income ratio is 55.46%** (Numbeo, March 2026). The first says a home costs a little over 7 years of gross income, moderate by global standards. The second is a caution flag: for a financed buyer, a mortgage can absorb more than half of income, so leverage has to be sized honestly. We'll come back to that, because a mortgaged buyer's math is not a cash buyer's math.

14.06

PRICE-TO-RENT RATIO, IMPLIED GROSS YIELD NEAR 7.1%

Numbeo, Mar 2026

7.26

PRICE-TO-INCOME RATIO, HOME COSTS ABOUT 7 YEARS OF INCOME

Numbeo, Mar 2026

55.46%

MORTGAGE-TO-INCOME RATIO, SIZE LEVERAGE CAREFULLY

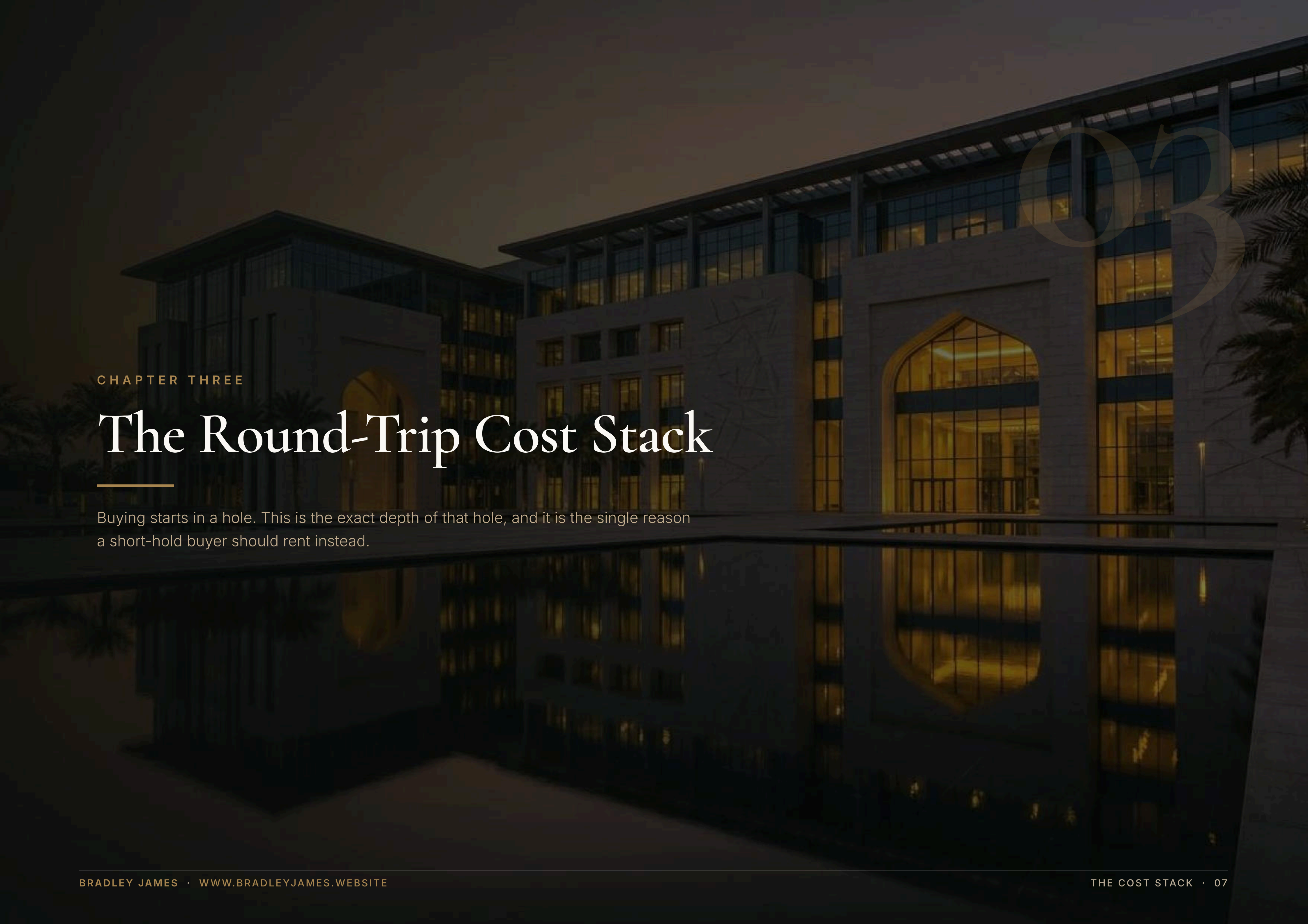
Numbeo, Mar 2026

◆ READ THE 14 CORRECTLY

A price-to-rent ratio near 14 is low, and low is buy-favourable. It says the average Dubai home costs about 14 years of its own rent, versus 25 to 40 years in many global gateways. The lower the ratio, the faster renting's stacked-up bill catches a purchase. This one number is why the crossover arrives early here.

◆ THE SIGNAL

"Low price-to-rent, high yield, same story told twice. Rent is expensive relative to price, so buying repays sooner than in most world cities."



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CHAPTER THREE

The Round-Trip Cost Stack

Buying starts in a hole. This is the exact depth of that hole, and it is the single reason a short-hold buyer should rent instead.

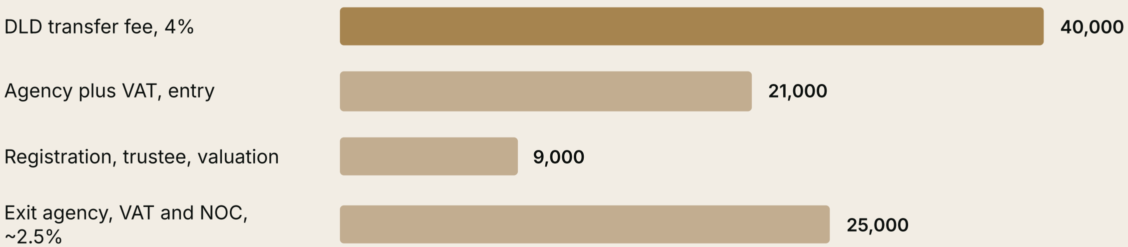
What It Costs to Get In and Out

Before a purchase can beat renting, it has to climb out of the cost of transacting. That cost is the tax on impatience, and it's the cleanest argument for renting when your horizon is short.

On the way in, the all-in purchase cost in Dubai is **~7%** of the price. That breaks down as a **4% Dubai Land Department transfer fee**, roughly 2% agency commission plus 5% VAT on that commission, and a few thousand dirhams of trustee, registration and valuation fees. On the way out you pay again, typically around 2% agency plus VAT and a small no-objection and admin cost, call it about 2.5% of the sale price. Add the two and the round-trip sits near **9 to 10%** of value. On a AED 1,000,000 home that's roughly AED 95,000 gone, before you've earned a dirham of rent saved or a dirham of appreciation.

Here's the part people miss. A renter never pays any of this. So for a buyer to come out ahead, the rent they save plus any equity they build has to first refill that 9 to 10% hole, and only then does buying start winning. If you're going to be in Dubai for a year, maybe two, there simply isn't enough time to refill it, and renting is the rational choice. That's not a hedge, it's the math. The round-trip cost is exactly why short horizons belong in a rental.

ROUND-TRIP TRANSACTION COST ON A AED 1,000,000 PURCHASE, ILLUSTRATIVE (AED)



Illustrative, on a AED 1,000,000 purchase. Entry ~7% per the market cost stack (4% DLD plus ~2% agency plus VAT plus fees); exit ~2.5%. Round-trip ~9 to 10%. Your figures will vary with price, agency terms and whether a developer covers commission on an off-plan deal.

◆ THE TAX ON IMPATIENCE

Roughly 9 to 10% of value changes hands just to buy and later sell. A renter pays none of it. So the shorter your hold, the more that fixed cost dominates, and the stronger the case for renting. Below about 2 years of holding, it rarely gets repaid.

◆ THE RULE

"Buying isn't cheap to enter or exit. If you can't see yourself holding well past 2 years, the round-trip cost alone says rent."

CHAPTER FOUR

The Break-Even, Modelled

Now the crossover itself. An illustrative worked example, assumptions on the table, showing the year buying overtakes renting.

The Year Buying Overtakes Renting

Let's build it. One property, two paths, the same family living in it. Every assumption is shown so you can swap in your own. This is illustrative, not a promise, and it's deliberately conservative on growth given where the market is in 2026.

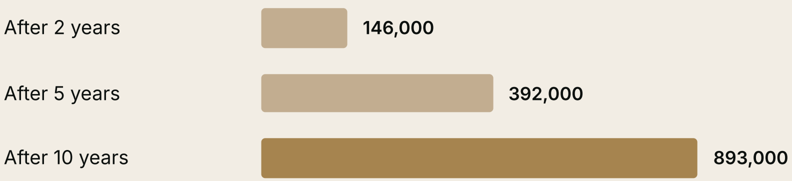
Take a mid-tier apartment at **AED 1,000,000**. At a price-to-rent ratio of 14, the equivalent rent is about **AED 71,000 a year**, in the range of a Business Bay or upper-JVC apartment on H1 2025 Bayut rents. The renter pays that rent, rising about 5% a year in line with recent Dubai rent growth. The buyer pays the roughly 7% entry cost, then a service charge of about AED 10,000 a year, and later a 2.5% exit cost, while the property appreciates a modest 3% a year. I've used 3%, not the double-digit growth of 2024, precisely because 2026 is cooling and a break-even should never lean on an optimistic number.

Net it out and the shape is clear. In year 1 the buyer is still behind, because the entry cost hasn't been earned back. By year 2 the buyer is ahead, and the gap widens every year after, as saved rent and equity compound against the renter's ever-rising bill. On these assumptions the crossover falls in the **second year of holding**. That's early, and it's early for the structural reason from Chapter Two: Dubai's high yield and low price-to-rent ratio.

HOLDING PERIOD	COST OF RENTING	NET COST OF OWNING	WHO'S AHEAD
After 2 years	AED 146,000	AED 56,000	Buying
After 3 years	AED 224,000	AED 35,000	Buying
After 5 years	AED 392,000	a small net gain	Buying
After 8 years	AED 678,000	a larger net gain	Buying
After 10 years	AED 893,000	a larger net gain still	Buying

Illustrative only. Assumes a AED 1,000,000 apartment, AED 71,000 starting rent rising 5% a year, ~7% entry cost, AED 10,000 a year service charge, 2.5% exit cost, 3% a year price growth, cash buyer, no mortgage. Net cost of owning nets resale equity against costs; a net gain means owning cost less than nothing over the period. Excludes opportunity cost of capital and any financing, both discussed later. Your outcome depends on price, rent, growth and how long you hold.

CUMULATIVE RENT PAID, ILLUSTRATIVE (AED)



Same example, AED 71,000 starting rent rising 5% a year. Rent is a cost that never returns; this is the bill a buyer is racing to overtake.

◆ WHY THE CROSSOVER IS EARLY

In a stable-to-modestly-rising market on these numbers, buying overtakes renting in the second year of holding. That's a Dubai feature, driven by high yields. It is not a claim that prices will rise; even at just 3% growth the crossover is early because saved rent alone does most of the work.

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CHAPTER FIVE

When the Market Cools

The base case assumed modest growth. 2026 is cooling, so here is the same model run flat and run down, where renting can win.

Run the Same Model Downhill

A break-even that only works when prices rise isn't a break-even, it's a hope. So let's run the same example through the market we actually have in 2026, which is decelerating, and through a genuine decline, because that's where renting earns its keep.

The context first, stated plainly. Dubai's capital-growth outlook for 2026 is around **~10%**, down from the high-teens pace of 2025, with the ValuStrat index still positive but decelerating at **+21.3%** year-on-year in Q3 2025. Fitch models a correction of **up to 15%** peak to trough, a cooling and not a crash, driven by a heavy supply pipeline. So the appreciation line in Chapter Four's model is the uncertain part, and an honest buyer plans for it being flat or negative for a stretch, not just positive.

Here's what that does to the math. If prices stay flat, buying still wins after the first year or so, because Dubai's high rent-to-price ratio means saved rent alone carries the case even with zero growth. But if you buy near a cyclical peak and prices fall while you hold, and then you're forced to sell short, the picture flips. In the illustration below, a buyer who purchases at the top, watches the market fall 15%, and sells in year 3, ends up **worse off than a renter**. Hold through the recovery instead and buying wins again. The lesson isn't don't buy, it's don't buy for a short hold into a cooling market, which is exactly a case for renting.

SCENARIO	NET COST OF OWNING	COST OF RENTING	WHO'S AHEAD
Prices flat, sell in year 3	AED 125,000	AED 224,000	Buying
Bought at peak, down 15%, sell in year 3	AED 271,000	AED 224,000	Renting
Bought at peak, held to year 5, recovers to flat	AED 145,000	AED 392,000	Buying

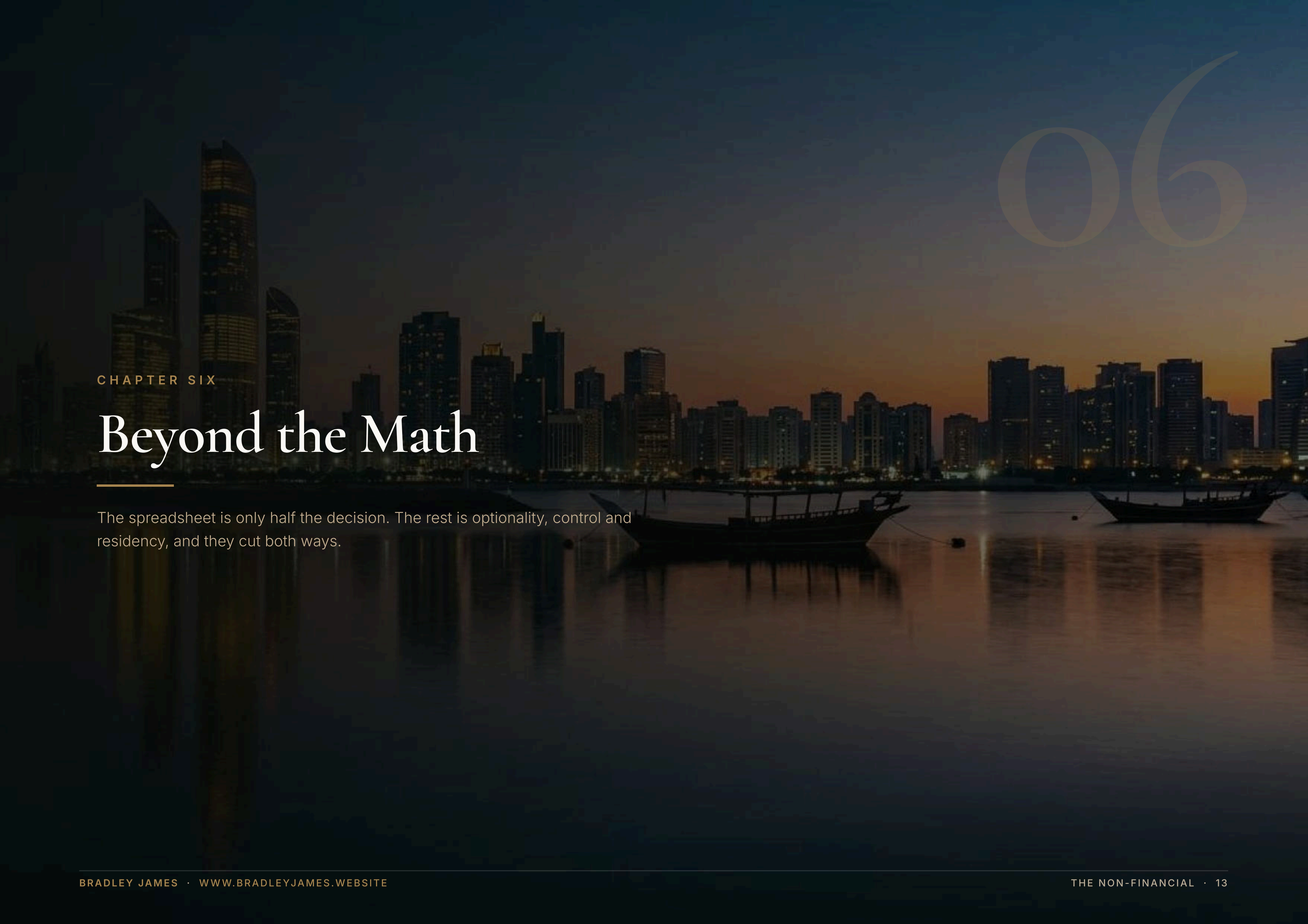
Illustrative only, same AED 1,000,000 apartment and cost assumptions as Chapter Four, with growth varied. 'Down 15%' uses the Fitch peak-to-trough correction and assumes a forced sale into the trough in year 3. 'Recovers to flat' assumes the value returns to the purchase price by year 5. Forecasts are labelled uncertain and are not stated as fact.

◆ THE COOLING, STATED

- 2026 capital-growth outlook around ~10%, down from 2025's pace.
- ValuStrat index still positive but decelerating.
- Fitch models up to 15% peak to trough, a cooling not a crash.
- So a short-hold buyer at the peak carries real downside. That's a rent case.

◆ THE REAL LESSON

"Flat prices still favour buying past year 1 because saved rent does the work. It's a forced short sale into a decline that hands the win to the renter."



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CHAPTER SIX

Beyond the Math

The spreadsheet is only half the decision. The rest is optionality, control and residency, and they cut both ways.

What the Model Can't Price

A break-even model captures money and misses meaning, so weigh the non-financial factors deliberately, because for many people they outrank a few percentage points. They fall into two honest columns, one favouring renting and one favouring buying.

Renting buys you **optionality**. You can leave in 30 to 90 days, follow a job to another city, test a neighbourhood before committing, or sidestep a market you think is toppy. If your life is genuinely mobile or your Dubai stay is a question rather than a decision, that flexibility has real value that no yield number captures. You also carry no exposure to a falling market and no service charge, no maintenance bill and no sale to organise when you go.

Buying buys you **control and permanence**. Your housing cost is broadly fixed rather than subject to a landlord's renewal notice, and while the RERA rental index caps how fast an existing rent can rise, market rents have still climbed for years, so a renter's bill keeps moving. Ownership also unlocks something a lease never can: hold **AED 2 million** or more of property and you qualify for the 10-year Golden Visa, self-sponsored, which turns a home into a base to live, bank and keep a family together. For an end-user thinking in generations rather than quarters, that residency link is often the deciding factor, sitting entirely outside the break-even table.

FACTOR	FAVOURS RENTING	FAVOURS BUYING
Flexibility	Leave in 30 to 90 days, follow work, test an area	Housing cost broadly fixed, no renewal-notice risk
Market exposure	No exposure to a falling market, no sale to time	You capture the upside if the market rises
Running the home	No service charge, no maintenance, no management	Full control of the asset and how it's used
Residency and roots	No residency benefit from a lease	AED 2m of property earns the 10-year Golden Visa

A guide to the trade-offs, not a recommendation. Weight these by your own life, not a formula.

◆ PRICE THE OPTIONALITY

If your stay is uncertain or your work is mobile, the freedom to leave quickly is worth real money the model can't show. Renting is buying an option, and options have value precisely when the future is unclear.

◆ THE REFRAME

"Renting buys flexibility. Buying buys control and a visa. Decide which one your actual life needs before you weigh the dirhams."

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CHAPTER SEVEN

Who Should Rent

The honest chapter. Buying isn't the right answer for everyone, and here are the profiles for whom renting is genuinely the smarter call.

When Renting Is the Right Answer

A guide that only ever concluded buy would be a sales pitch, not advice. So here, plainly, are the people who should rent in Dubai, and why the math and the life both point that way for them.

The clearest case is a **short or uncertain horizon**. If you'll be in Dubai for a year or two, or you honestly don't know, the round-trip cost of buying never gets repaid, and renting is simply cheaper as well as freer. The same logic covers anyone whose **work is mobile** or whose stay depends on a contract, a posting or a decision that hasn't been made yet. Buy only when the answer to how long is a confident several years or more.

The second case is **timing and testing**. If you're new to the city, renting first lets you learn which community actually suits you before you commit 9 to 10% of a purchase to the wrong one. And if you believe the market is near a cyclical peak and your hold would be short, renting sidesteps the one scenario from Chapter Five where a buyer genuinely loses, a forced short sale into a decline. Renting is also the right answer when your **capital works harder elsewhere**, in a business or a portfolio compounding above what property nets after service charges, or when tying up a large deposit would leave you thin on liquidity.

PROFILE	WHY RENTING WINS FOR THEM
Short or uncertain stay	Under about 2 years, or a stay that's still a question, so the round-trip cost never gets repaid.
Mobile career	Work that could move you cities; the freedom to leave in 30 to 90 days outweighs equity.
New to the city	Rent first, learn the communities, then commit rather than guess with a 9 to 10% cost.
Buying at a suspected peak for a short hold	The one case where a forced short sale into a decline hands the win to renting.
Capital better deployed elsewhere	A business or portfolio that out-earns net property returns, or a need to keep liquidity.

A guide to fit, not a recommendation. If you recognise yourself here, renting is very likely the smarter call, whatever the yield headline says.

◆ RENT WITHOUT APOLOGY

For a short, uncertain or mobile life, renting isn't the timid choice, it's the correct one. The round-trip cost of buying is real, and paying it for a hold too short to repay it is the actual mistake.

◆ THE HONEST LINE

"If you can't say with confidence that you'll hold well past 2 years, rent. The math agrees with you, and so do I."

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CHAPTER EIGHT

The Honest Caveats

What the model deliberately leaves out, so you read the crossover with the right amount of caution.

What This Model Does Not Capture

Every model is a simplification, and an honest one tells you where it's thin. Here's what Chapter Four's break-even leaves out, and how each omission could move your real answer.

It assumes a cash buyer. Add a mortgage and you introduce interest carry. With the mortgage-to-income ratio at 55.46% and rates in the mid-single digits, financing costs eat into the buyer's advantage and can push the crossover later. Leverage cuts both ways, amplifying gains if prices rise and losses if they fall. A financed buyer needs to run these numbers with their actual rate, not the cash-buyer version.

It ignores the opportunity cost of capital. The deposit and costs a buyer sinks into a home could otherwise be invested. If that capital would reliably earn more elsewhere than property nets after service charges and vacancy, the true gap narrows. The model shows cash out of pocket, not the return you forgo, and for some investors that forgone return is the whole decision.

It assumes you can sell when you want to. Dubai has no crash-proof exit. A well-priced mainstream apartment can sell in weeks, but an over-priced or trophy unit can sit for a quarter or more, and the 2026 cooling has thinned the resale buyer pool. If you might need to exit fast, price that liquidity risk in; the model assumes an orderly sale, not a fire sale.

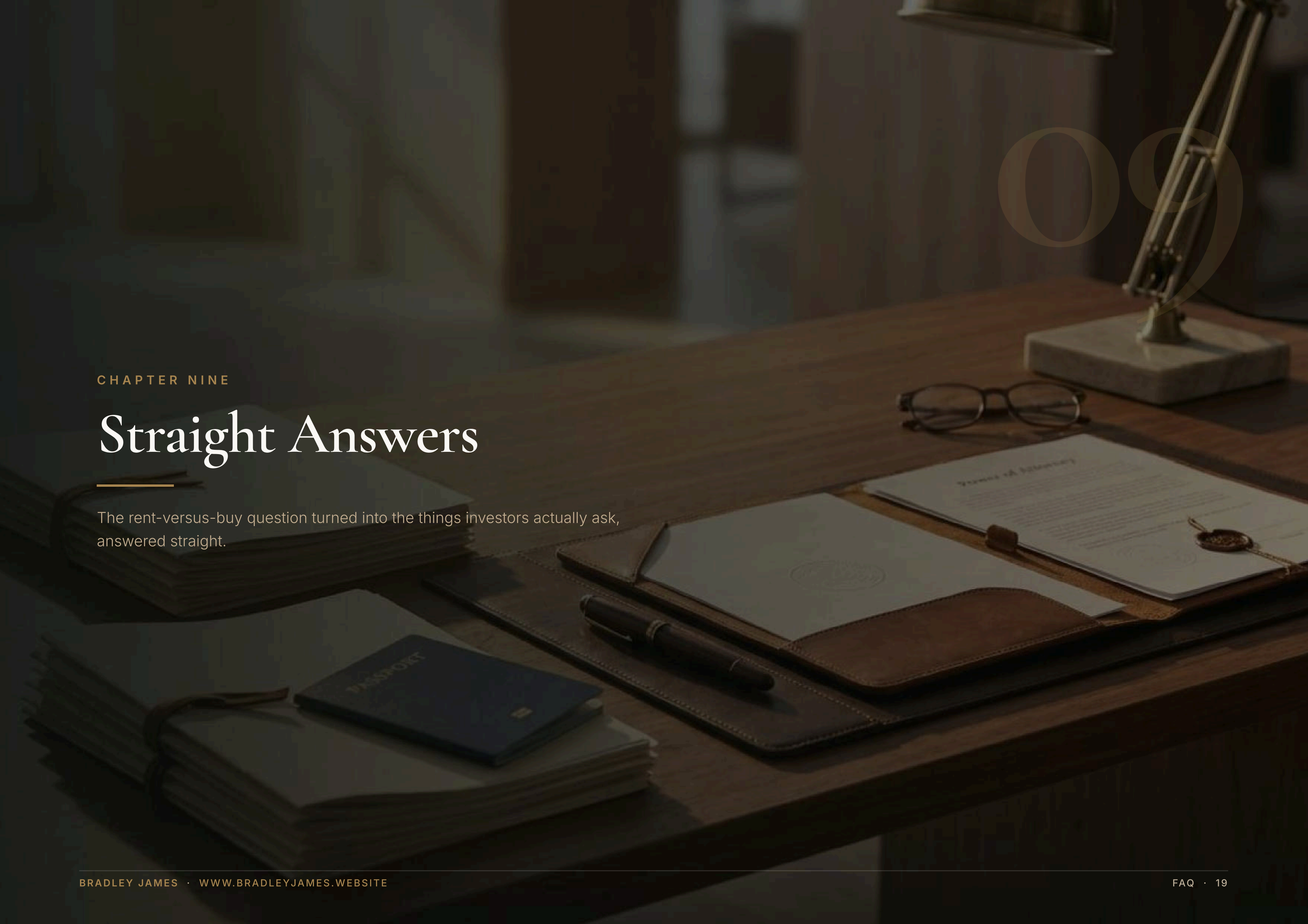
Rents can fall, service charges vary widely, and growth is uncertain. The 5% rent inflation and 3% price growth are conservative illustrations, not forecasts. Service charges range from single digits in JVC to the high 20s per square foot in prime towers, which materially changes an owner's cost. And none of this is personal financial or tax advice; run your own numbers, or send them to me and we'll run them together before you commit anything.

WHERE THE MODEL IS THIN

- Cash buyer only; a mortgage adds carry and can delay the crossover.
- No opportunity cost of capital; forgone returns narrow the gap.
- Assumes an orderly sale; a thin 2026 resale pool can slow exits.
- Rents can fall and service charges vary from single digits to high 20s.

THE RULE

"A break-even is a tool, not a truth. Put your own rate, growth and holding period in before you trust the crossover year."



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CHAPTER NINE

Straight Answers

The rent-versus-buy question turned into the things investors actually ask, answered straight.

The Questions People Actually Ask

Q. So does buying always beat renting in Dubai?

No. It beats renting once you hold long enough to repay the round-trip cost, which on illustrative numbers is around the second year in a stable-to-modestly-rising market. For a hold under about 2 years, or a forced short sale into a falling market, renting wins. The reason buying wins early here at all is Dubai's high yield and low price-to-rent ratio near 14, not a promise that prices will rise.

Q. What is the break-even holding period?

On a conservative illustration, a AED 1,000,000 apartment at AED 71,000 rent, roughly 7% entry cost, AED 10,000 service charge and just 3% growth, buying overtakes renting in the second year of holding. Change the inputs and the crossover moves. It's earlier with higher rent or growth, later with a mortgage or if prices fall. Treat it as a model to fill in, not a fixed number.

Q. How much does it actually cost to buy and sell?

Budget about 7% to get in, a 4% DLD transfer fee plus roughly 2% agency plus VAT plus small registration fees, and about 2.5% to get out. That's a round-trip near 9 to 10% of value, roughly AED 95,000 on a AED 1,000,000 home. A renter pays none of it, which is the core reason short holds should rent.

Q. The market's cooling in 2026. Should I still buy?

It depends on your hold. If you'll hold several years, a cooling to around ~10% growth barely dents the case, because saved rent does most of the work even at flat prices. If you'd buy near a peak and might sell within 2 to 3 years, the Fitch up to 15% correction scenario is exactly when renting wins. Match your horizon to the cycle.

Q. Does a mortgage change the answer?

Yes. A mortgage adds interest carry, and with the mortgage-to-income ratio at 55.46% that carry is not trivial. It can push the crossover later and amplifies both gains and losses. The Chapter Four model assumes a cash buyer; a financed buyer should rerun it with their actual rate before deciding.

Q. I might only be in Dubai a couple of years. Rent or buy?

Rent. On a hold that short the round-trip cost of buying rarely gets repaid, and renting keeps you free to leave in 30 to 90 days. Buy when you can say with confidence that you'll hold well past 2 years. Until then, renting is the smarter call, and I'd tell you the same on a call.

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Every Figure, Sourced

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WORK WITH BRADLEY JAMES

Match Your Horizon to the Cycle.

◆ ABOUT BRADLEY

Not a broker, an advisor. I built a business in the UK and spent more than a decade advising people from all walks of life, before moving to Dubai and joining M&M Real Estate to work at a higher strategic level than the typical transactional broker. I specialise exclusively in off-plan investment for overseas and high-net-worth clients, I put my own capital into the projects I recommend, and my business is more than 80% referral-driven, because every client came through someone who trusted me first.

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