

Smooth road or bumpy track? UK vs Dubai property: the reward for every bump

Part 1, 2016 to 2025: what £100,000 earned, measured against how much it jumped up and down (return vs volatility).

1. What are we comparing?

Put £100,000 into a flat and rent it out. You make money from the **rent**, and from the flat becoming worth more (**growth**). We added both together for a typical rented home in the **UK** and in **Dubai**. But making money is only half the story. The other half is **how scary the journey was**.



Used by the professionals. The Sharpe ratio was created by Nobel Prize-winning economist William F. Sharpe. Fund managers and pension funds worldwide use it to compare investments and build their portfolios.

$$\frac{\text{Extra money made compared with leaving it safely in the bank}}{\text{Bumpiness how much it jumped up and down each year}} = \text{Sharpe score bigger = better}$$

UK score: 1.3 · a smooth road

Extra money **6.4%** a year (about £6,400) ÷ bumpiness **4.8%** (about £4,800 swing) = **1.3**

2. The Sharpe ratio: a score for the journey



Two cars reach the same town at the same time. One had a smooth ride, the other bounced through potholes. **The smooth road was the better choice.**

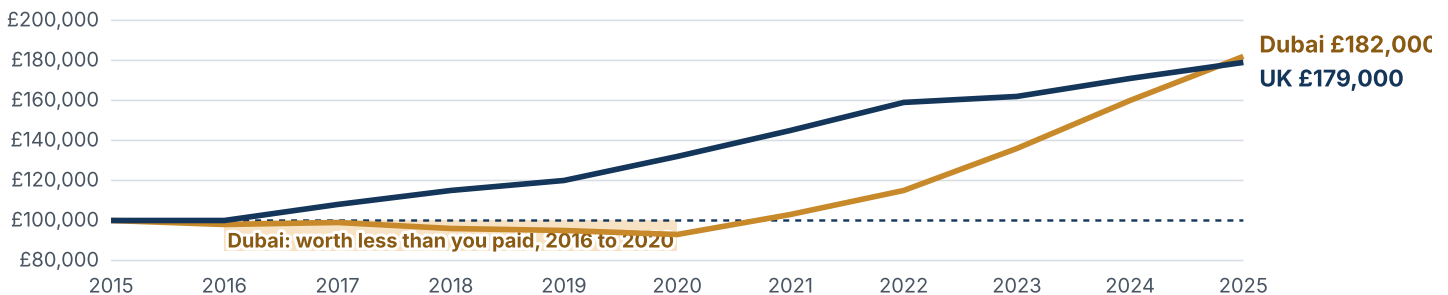
Why do bumps matter? Life does not wait. A new job, school fees or a move can mean you need your money back in a bad year. On a bumpy road you may have to sell for less than you paid.

Dubai score: 0.8 · a bit more money, twice the bumps

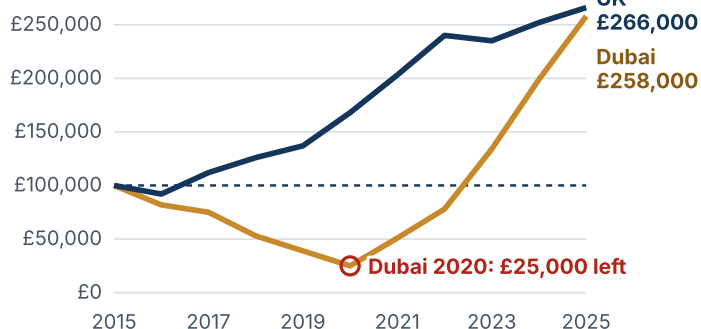
Extra money **7.6%** a year (about £7,600) ÷ bumpiness **9.2%** (about £9,200 swing) = **0.8**

3. Picture 1: the journey of £100,000

How to read it: each line follows £100,000 put into a home at the end of 2015, paid in full, including rent collected. Dotted line = the £100,000 you started with. **Blue = UK. Gold = Dubai.**



What it shows: both ended at about £180,000. The UK climbed steadily, so you could have sold at a profit in any year. Dubai sank below what you paid for five years, so anyone forced to sell between 2016 and 2020 lost money. Same destination, much bumpier road.



4. Picture 2: borrowing from the bank

You put in £100,000 and the bank lends £300,000 (a **mortgage**) to buy a £400,000 home. Each line shows what your £100,000 grew to.

Borrowing is like a **magnifying glass**: good years get bigger, bad years too.

UK: a steady climb to £266,000, instead of £179,000 without borrowing.

Dubai: by 2020 only £25,000 was left, and many owners were forced to sell at the bottom. A magnifying glass is safest on a smooth road.

The bottom line for 2016 to 2025

1. £100,000 grew to about £180,000 in both the UK and Dubai.

2. The UK had far fewer scary drops, so you were never forced to sell at a loss. Score: 1.3 against 0.8.

3. Borrowing grew UK wealth much faster. In Dubai it nearly wiped people out first.

Turn over for 2026 to 2035

How we worked it out. Price growth: national house price indices, UK (ONS based) and Dubai (REIDIN based), via Global Property Guide, 2016 to 2025. Rent after costs assumed at 4.5% a year UK and 5.0% Dubai. "Safe in the bank" = Bank of England Bank Rate. Buying costs: 10% UK (overseas buyer stamp duty plus fees), 7% Dubai. Borrowing: 75% interest-only mortgage at typical rates for each year. Before tax (UK rental profits are taxed, Dubai's are not); currency moves ignored. Simplified illustration.

Important. Past performance is not a reliable guide to the future. Property values and rents can fall as well as rise, and you may get back less than you invest. Borrowing increases losses as well as gains. Your property may be repossessed if you do not keep up repayments on a mortgage. General information only, not personal financial, tax or investment advice.

Smooth road or bumpy track? The road ahead, 2026 to 2035

Part 2: what £100,000 could earn, and how bumpy the ride could be (return vs volatility). A projection, not a promise.

1. How do you predict the future?

You can't, exactly. So we did what weather forecasters do. We played out **20,000 possible futures** on a computer, like rolling dice thousands of times, and looked at where most of them ended up.

Each future starts from what experts expect today, then adds the kind of bumps each market has had before. Remember: bumps matter because you may need to sell in a bad year.

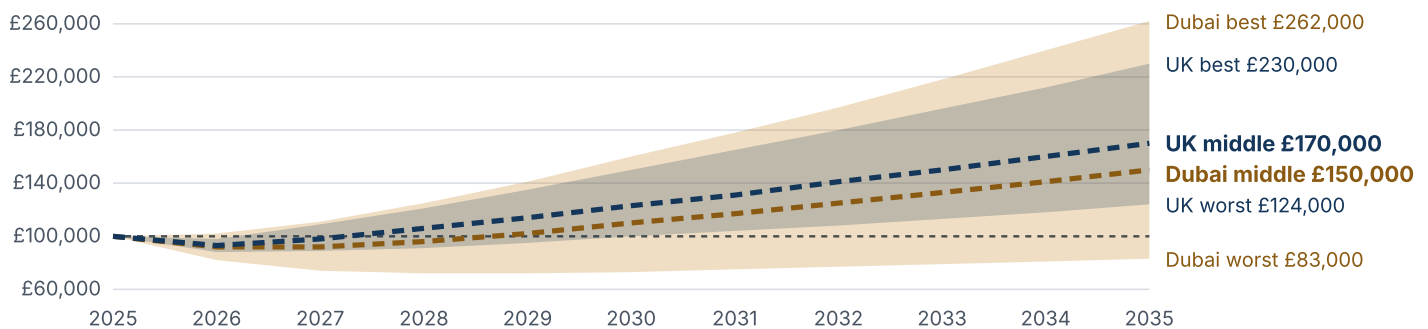
2. What the experts expect

UK: prices dip about 2% in 2026, then grow again. Savills expects about 18.5% growth by 2030.

Dubai: a record number of new homes are being built, so prices are expected to fall around 10% over two years, then grow. Fitch has warned of up to 15%.

3. Picture 1: where £100,000 could end up, buying with your own money

How to read it: both start with £100,000 at the end of 2025. **Dashed line** = the middle result. **Shaded cloud** = where 8 out of 10 futures land. A wider cloud means a bumpier road. **Blue** = UK. **Gold** = Dubai.



What it shows: the UK cloud is narrow and stays almost entirely above £100,000. The Dubai cloud is wide and dips well below £100,000 in the early years, so selling then could mean a loss. Middle case: **UK £170,000, Dubai £150,000.**

UK Sharpe score ahead: about 0.7

Chance of ending below £100,000: **about 2 in 100.**

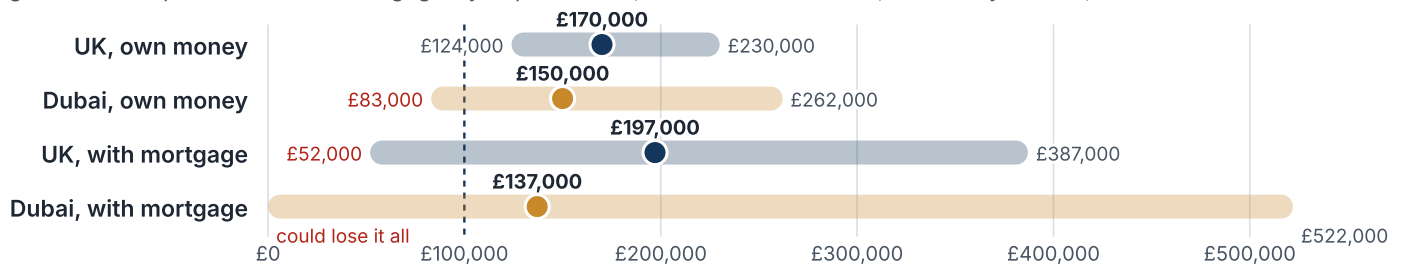
Dubai Sharpe score ahead: about 0.3

Chance of ending below £100,000: **about 1 in 5.**

Scores are lower than on page 1 because banks now pay around 3.5% for keeping money safe, so property has to work harder to beat it. The UK still scores more than twice as high.

4. Picture 2: what about borrowing?

How to read it: where your £100,000 could be in 2035. **Dot** = middle result. **Bar** = from a bad future (left) to a good one (right). Longer bar = bumpier road. "With mortgage": you put in £100,000 and borrow £300,000 to buy a £400,000 home.



What it shows: in the UK, borrowing lifts the middle result from £170,000 to **£197,000**, but the bar gets longer, so the road gets bumpier. In Dubai the middle result is lower, **£137,000**, and the bad end means losing everything. A mortgage now costs about what the rent brings in, so the magnifying glass gives a smaller boost than in the last ten years.

The bottom line for 2026 to 2035

1. In a typical future, £100,000 grows to about £170,000 in the UK and £150,000 in Dubai.

2. The UK road is much smoother, so you are far less likely to be forced to sell at a loss. Score: 0.7 against 0.3.

Page 3: the mathematics behind it

3. A sensible mortgage can grow UK wealth faster. Heavy borrowing in Dubai is a big gamble.

How we worked it out. 20,000 simulated 10-year paths per case. UK price growth: -2% in 2026, recovering to about 4% a year (in line with Savills' June 2026 five-year forecast of +18.5%). Dubai: falls of about 6% and 5% in 2026 and 2027 (reflecting Fitch's warning of up to 15% and the record supply pipeline), then about 4% a year. Year-to-year swings based on each market's history, with room for occasional large shocks. Rent after costs 4.5% UK, 4.75% Dubai. "Safe in the bank" 3.5%. Buying costs 10% UK, 7% Dubai. Mortgage: 75% interest-only at 5.5%. "Bad" and "good" futures are the 1-in-10 low and high results. Before tax; currency moves ignored.

Important. These are illustrations based on assumptions, not forecasts or guarantees. Property values and rents can fall as well as rise, and you may get back less than you invest. Borrowing increases losses as well as gains. Your property may be repossessed if you do not keep up repayments on a mortgage. General information only, not personal financial, tax or investment advice.

Technical appendix: the mathematics behind the score

Mean-variance analysis, the Sharpe ratio, leverage algebra and Monte Carlo simulation, as used by professional portfolio managers.

A. The Sharpe ratio (Sharpe, 1966; revised 1994)

$$S = \frac{E[R_p - R_f]}{\sigma_{(R_p - R_f)}}$$

$$\sigma = \sqrt{\frac{1}{n-1} \sum (x_t - \bar{x})^2}$$

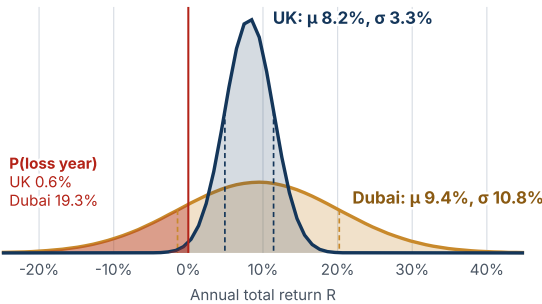
R_p = annual total return (net rental yield plus capital growth). R_f = risk-free rate (Bank of England Bank Rate). $x_t = R_{p,t} - R_{f,t}$, the excess return in year t . σ = sample standard deviation of excess returns, $n = 10$. The numerator rewards return; the denominator penalises volatility.

Probability of a losing year, assuming normality: $P(R < 0) = \Phi(-\mu/\sigma)$. UK: $\Phi(-8.16/3.27) = \Phi(-2.50) = \mathbf{0.6\%}$. Dubai: $\Phi(-9.39/10.83) = \Phi(-0.87) = \mathbf{19.3\%}$.

C. Normal distribution of annual returns

Dashed lines: $\mu \pm 1\sigma$. Red area: probability of a losing year.

$$f(x) = 1 / (\sigma\sqrt{2\pi}) \cdot e^{-(x-\mu)^2 / 2\sigma^2}$$



E. Leverage algebra (Modigliani-Miller)

$$R_E = R_A + (D/E)(R_A - r_D)$$

$$\sigma_E \approx (1 + D/E) \sigma_A$$

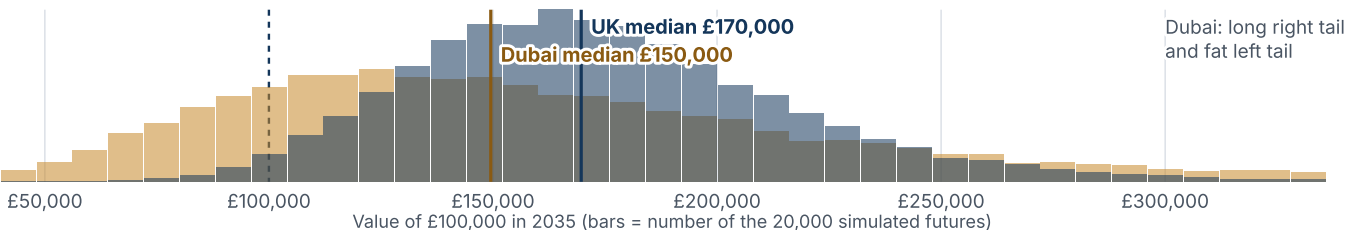
$$S_E = S_A - [(D/E)(r_D - R_f)] / \sigma_E$$

At 75% loan-to-value, $D/E = 3$, so volatility roughly quadruples. If the mortgage rate r_D equalled R_f , the Sharpe ratio would be unchanged. Because $r_D > R_f$, it falls slightly: UK $1.33 \rightarrow 1.22$. Leverage scales the ride; it cannot smooth it.

G. Monte Carlo simulation, 2026 to 2035 (N = 20,000 paths per market)

$$g_t = \mu_t + \sigma \varepsilon_t \quad \varepsilon_t = \rho \varepsilon_{t-1} + \sqrt{(1 - \rho^2)} z_t \quad z_t \sim t_5 / \sqrt{(5/3)} \quad W_T = [V_T + \sum y V_t] / P(1 + c)$$

Price growth g follows the forecast path μ_t with momentum $\rho = 0.5$ and fat-tailed Student-t shocks ($\sigma = 6\%$ UK, 11% Dubai), allowing for occasional large moves. y = net rental yield, c = purchase costs. Results: $P(W_T < \text{£}100,000) = 1.9\%$ UK, 18.6% Dubai. Forward Sharpe ratio 0.69 UK, 0.26 Dubai.



Notes. Sharpe, W.F. (1966) "Mutual Fund Performance", Journal of Business 39(1); Sharpe, W.F. (1994) "The Sharpe Ratio", Journal of Portfolio Management 21(1). Price data: national house price indices, UK (ONS based) and Dubai (REIDIN based), via Global Property Guide. Net rental yields assumed 4.5% UK, 5.0% Dubai (4.75% in the projection). Equity low point at 75% LTV includes rent received and interest paid. Ten annual observations is a short sample; results are illustrative and sensitive to assumptions. Before tax; currency moves ignored.