



Dubai: The Ramadan Phenomena

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Executive Summary

- The Ramadan phenomena is a long held belief that transactional activity in both the real estate and the equity markets plummet; as a consequence any price action signals that emanate during this month is exaggerated on account of amplified price volatility on thin volumes.
- A 7 year price analysis of real estate assets in the month of Ramadan this to be a myth (0.6% average change, which is exactly the average monthly change for the rest of the months of the year).
- When transactional activity is scrutinized, there appears to be a 16% dip in recorded values when compared to other months; however it is interesting to note that the time between an MOU and the transaction being consummated is 30 days on average; consequently when analyzing Ramadan transactions, the accurate way to gauge investor interest is to look at the month after. When that is done, the difference in transactional activity is negligible (-1%); this then implies that that recorded transactions in Ramadan fall because of lower working hours in Ramadan and have no impact on investor sentiment or appetite.
- A similar analysis in the DFM was conducted which revealed no consistent pattern in price change in the month of Ramadan compared to the average of other months in the year (0.6% vs. 0.3%)
- In terms of transactional activity, there is a systematic decline of 6.7%, compared to other months; however this is largely due to the number of trading hours being reduced.

Table of Contents

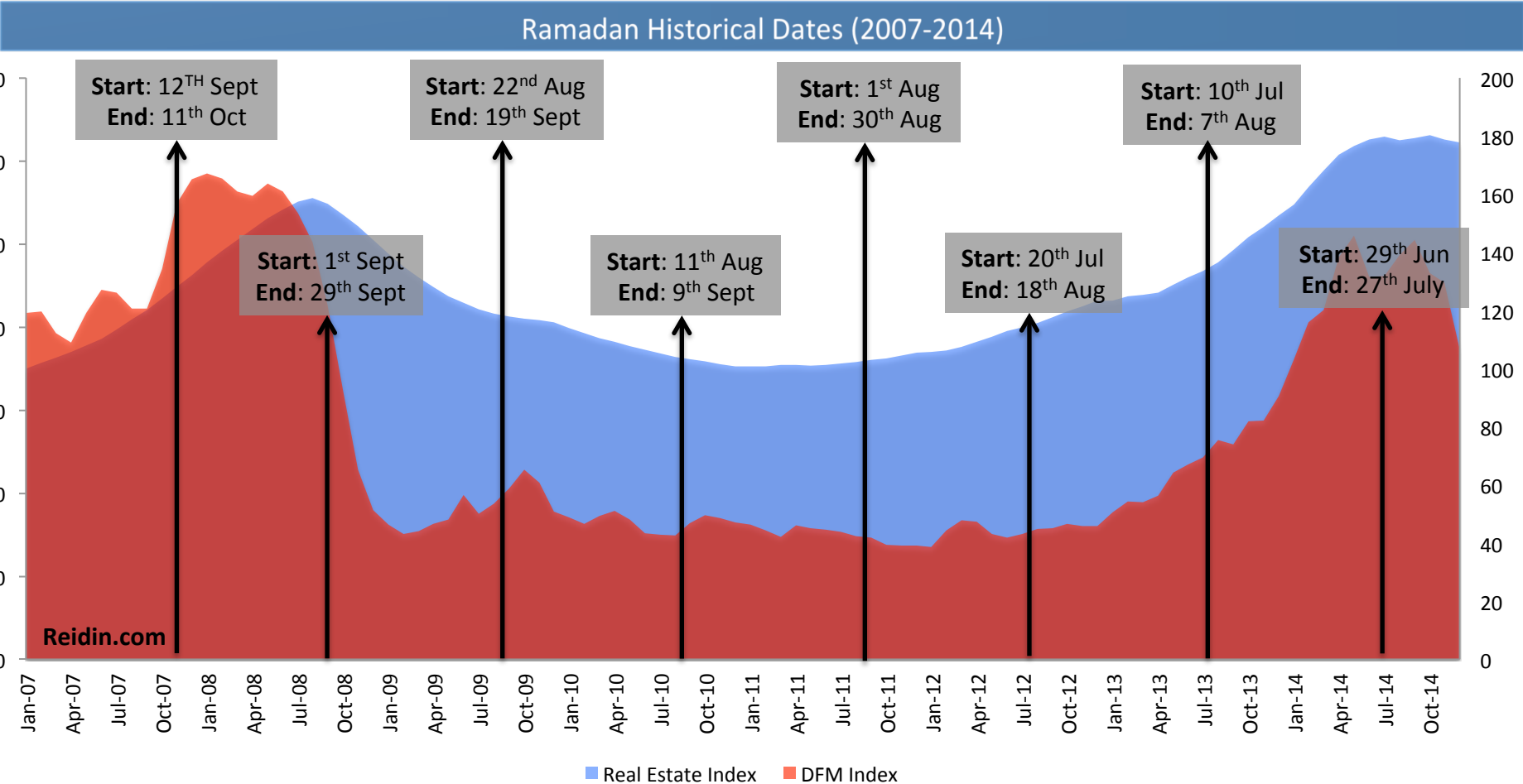
- A) What is the Ramadan Effect?
- B) The Ramadan Effect on the Real estate Market
- C) The Ramadan Effect on the Dubai Financial Market
- D) Conclusions

What is the Ramadan Effect?



“Any time scientists disagree, it's because we have insufficient data. Then we can agree on what kind of data to get; we get the data; and the data solves the problem. Either I'm right, or you're right, or we're both wrong. And we move on”
Neil deGrasse Tyson

What is the Ramadan Effect?



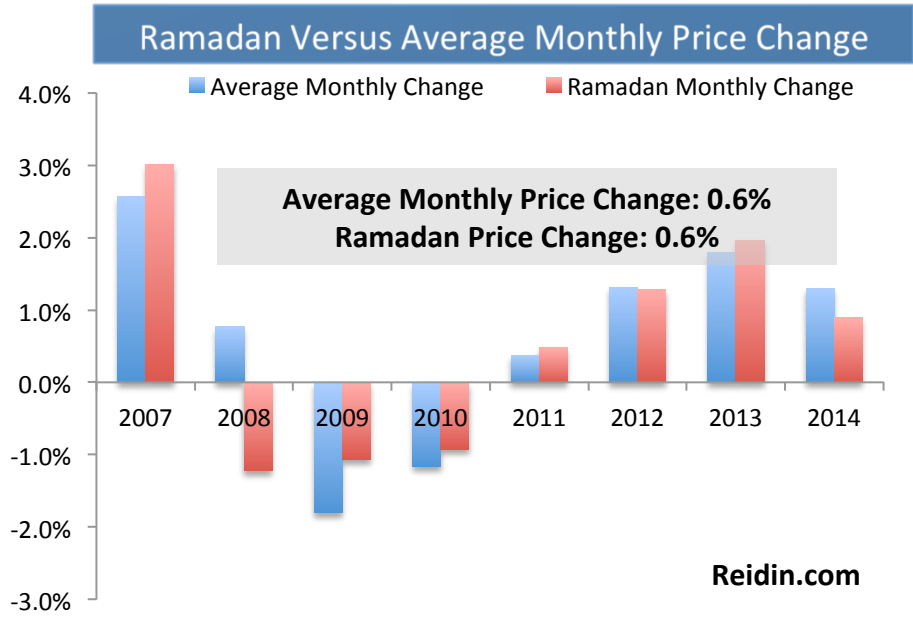
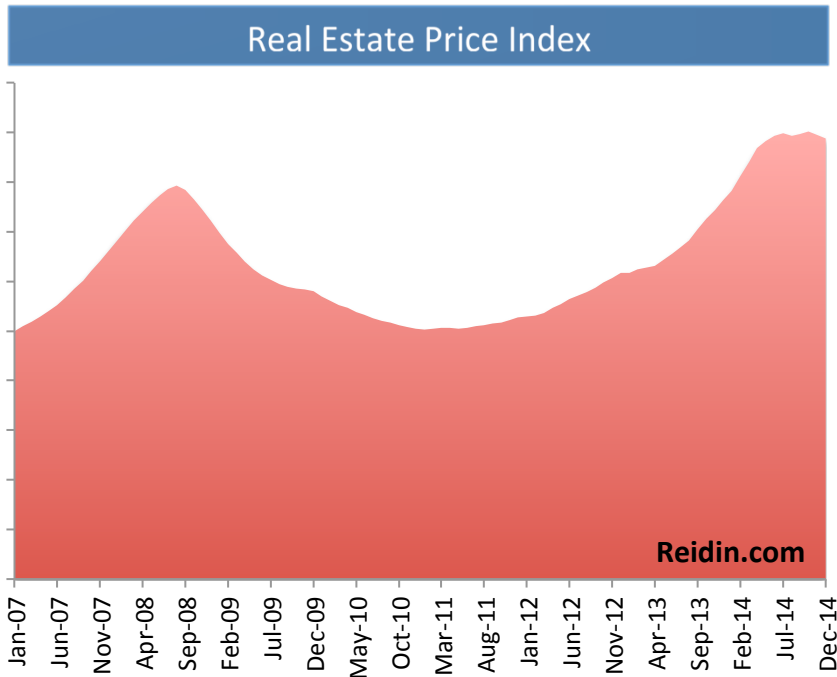
The long held belief that resonates across Dubai during the month of Ramadan is that both the Real estate and Financial Markets become sluggish. Transactional activity trends downwards, whereas price action remains flat-lined.

Ramadan and the Real Estate Market



“Trust, but verify” – Ronald Reagan

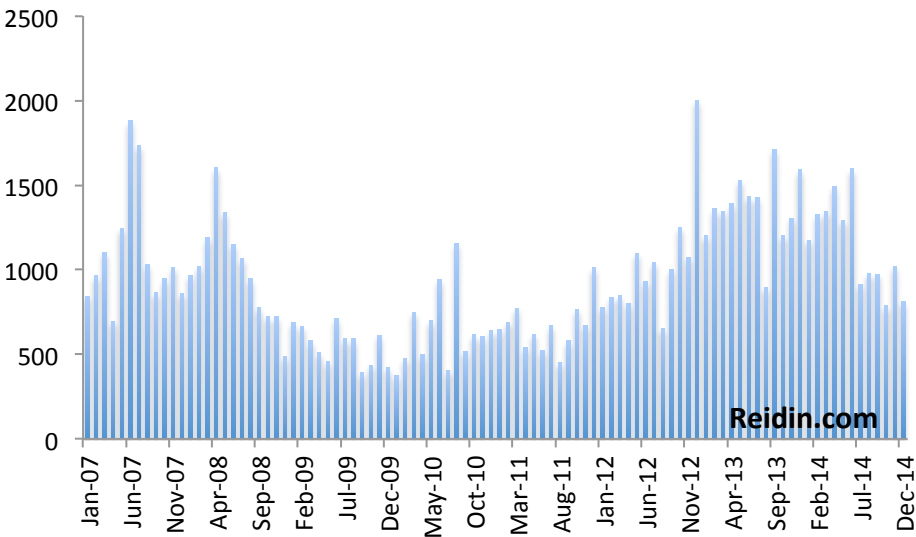
No obvious Pattern for Price Fluctuation During Ramadan



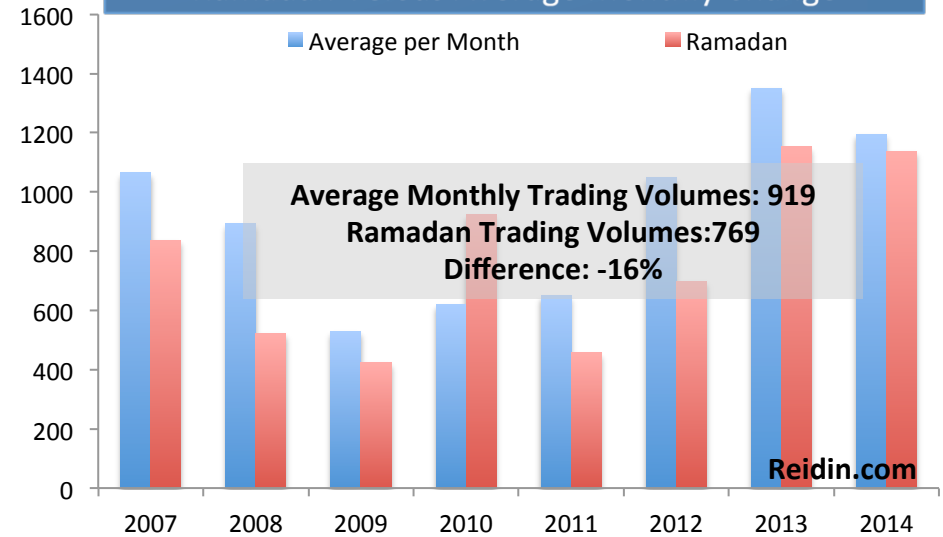
A price analysis was conducted over 7 years, comparing the average change per month versus the month of Ramadan. This reveals that the average monthly price change during Ramadan is no different to the rest of the year, belying the notion that Ramadan witnesses price activity that is sluggish.

On the Surface it Seems that Transactional Activity Slows Down ...

Real Estate Transactional Activity

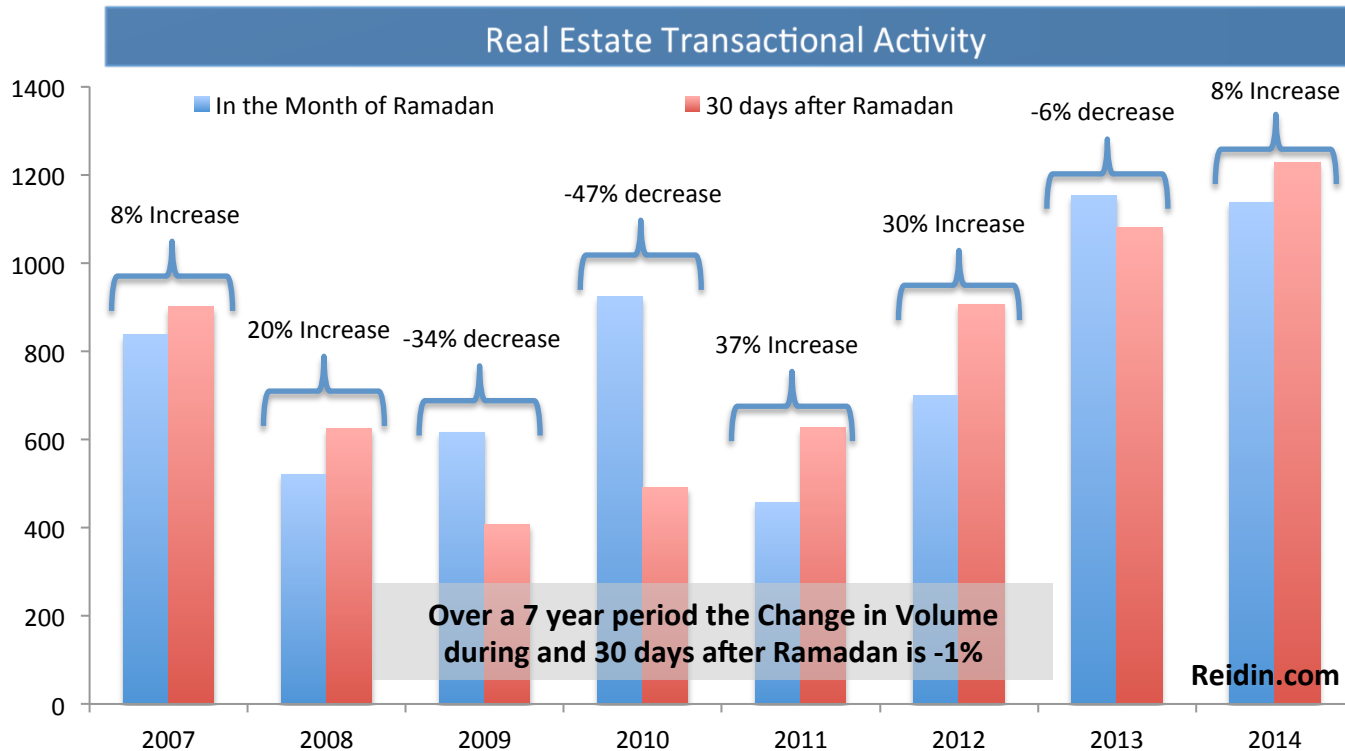


Ramadan Versus Average Monthly Change



A transactional activity analysis in monitored areas reveals that over a 7 year time period volumes falls by 16% in the month of Ramadan. This is inline with the conventional wisdom prevalent in the market.

... However an In-depth Analysis Reveals Otherwise



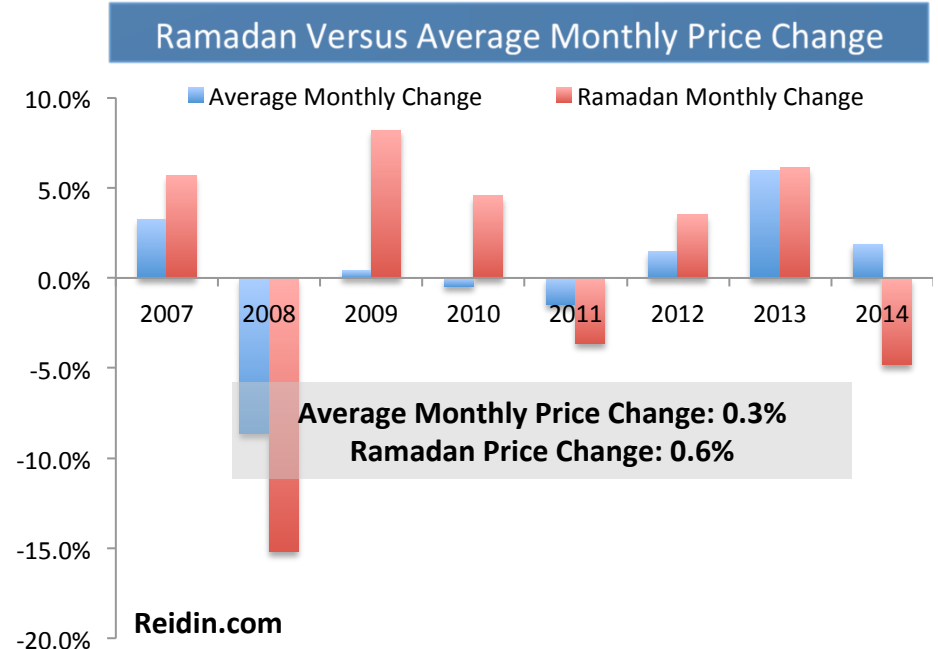
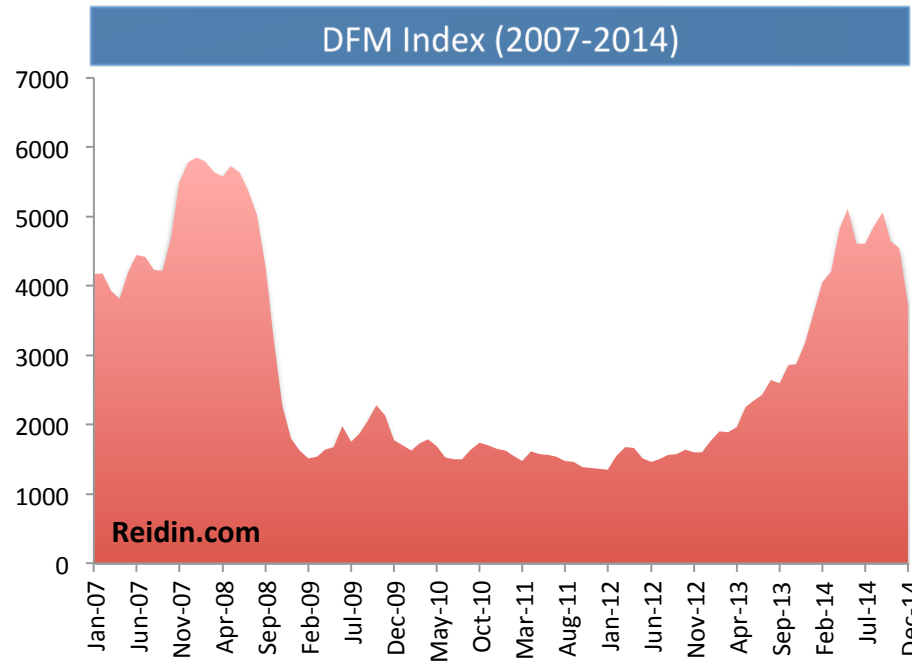
The typical time between signing an MOU and the transfer date of the property is 30 days. Therefore a fall in transactional activity in the current month is actually the reflection of the deals closed in the previous month. Using this standard, comparison between transactional volume 30 days after Ramadan shows no to little change, implying that the fall in volumes in Ramadan were largely on account of reduced working hours rather than subdued investor activity.

Ramadan and the Dubai Financial Markets



“Myths which are believed in tend to become true” - George Orwell

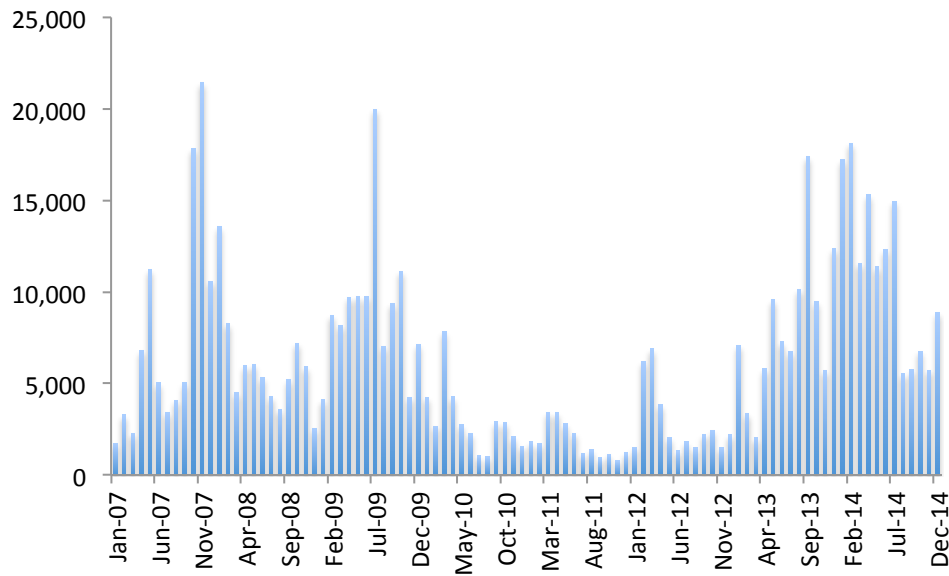
Similar Trends witnessed in the Dubai Financial Markets



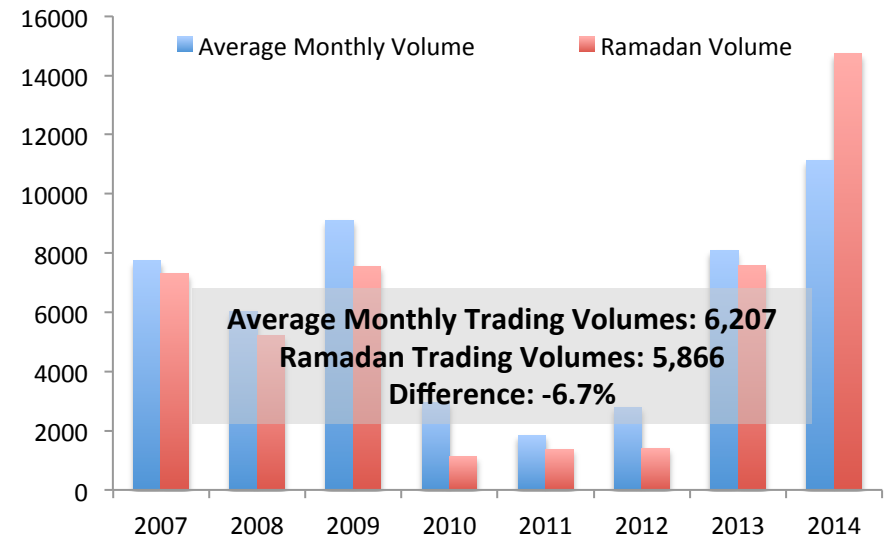
In the DFM, average monthly price change over the last seven years is actually twice that of the balance 12 months; implying that investor sentiment is actually more buoyant during this month.

Ramadan Has Lower Transactional Activity than Monthly Average

DFM Volume (2007-2014)¹



Ramadan Versus Average Monthly Volume Change¹



A time-series analysis of trading volumes over the last 7 years reveals that levels have systematically been lower during the month of Ramadan (2014 being the anomaly). We opine the major reason for this fall in volume is to do with the reduction of trading hours in half.

¹<http://english.mubasher.info/markets/DFM>

Conclusions

What is the Ramadan Phenomena?

The Ramadan phenomena is a long held belief that during this month business productivity and effectiveness has known to trend downwards.

It has been common broker talk in the real estate market that during this month prices stagnate and transactional activity dips.

This sort of talk has been seen within the Dubai Financial Markets as well.

Ramadan and the DFM

Price action in the month of Ramadan over the last 7 years, years is actually twice that of the balance 12 months; implying that investor attitude is actually more vigorous during this month

On the other hand transactional activity shows a dip of 6.7% on average over the same time period when compared to other months in the year. We opine the crux of this drop is due to the reduce trading hours in the market. (*Normal Trading Hours: 10am-2pm vs Ramadan: 10am-12pm*)

Ramadan and the Real Estate Market

A price analysis over the last 7 years reveals Ramadan is no different to the rest of the year, negating the concept that price action is sluggish.

When the same analysis was applied to transactional activity a 16% dip was witnessed. However, a common mistake when analyzing transactional activity is that there is usually a 30 day lag between the MOU and the transfer to be registered in DLD.

A comparison between Ramadan transactions and 30 days after, shows a difference of 1%, highlighting the minimal effect of Ramadan.

Conclusion

Underlying data indicates that there is no discernible change in either price and/or volume activity during the month of Ramadan.

Consequently, broker advice to postpone investment decisions during this month remain ungrounded in view of the facts.

Hearteningly markets (both equity and real estate) appear to have become more efficient in arbitrating away seasonal factors in yet another sign of market maturity

A 7 year price analysis of real estate assets in the month of Ramadan reveals that a stagnation doesn't exist

In DFM there is no consistent pattern in price change in the month of Ramadan compared to the average of other months in the year



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“No barrier can withstand the strength of purpose”

HH General Sheikh Mohammed Bin Rashid Al Maktoum
The Ruler of Dubai and Prime Minister of UAE



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