

Review: Factors That Can Contribute to Profit Maximization in Real Estate

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Abstract

Profit maximization is a central business goal that can influence the strategies adopted by real estate developers, investors, companies, and sellers. Achieving profit maximization can ensure the continued sustainability of a real estate business and offer new avenues of progress and development within the real estate sector. Unfortunately, profit maximization remains a challenge in the UAE. The oversupply of homes in the UAE can diminish the potential for profit maximization and reduce the viability of real estate investments. It can also put the future of the sector at risk. Identifying the variables that impact real estate profitability can offer a solution to these challenges. Accordingly, this study reviews the factors that have an impact on real estate price levels in the UAE and other countries. As per our findings, the key factors that impact profit maximization in real estate include GDP, inflation rate, financing methods, savings, Consumer Price Index, supply and demand ratio, land costs, construction costs, the sale of off-plan properties, buying capacity, and taxes and fees. We also offer suitable recommendations on the use of these variables for maximizing profit. Real estate developers, companies, sellers, and investors can attempt to integrate these variables in their pricing strategies for real estate and reap potential benefits.

Keywords: Real estate, profit maximization, property market, real estate prices

1. Introduction

Profit maximization refers to the capability of a company to earn the maximum possible profit while maintaining a low cost. It is widely regarded as the principal goal of all businesses. It is also considered a key objective of financial management. Under financial management, profit maximization is defined as a process that allows a firm to increase its profit or Earnings Per Share.

Achieving profit maximization plays a vital role in the long-term sustainability of a business. Since it allows a business to earn a profit, it ensures the continued existence of the business. Besides this, the ability to generate a profit serves as a foundation for the company's standard of performance. This is closely interlinked to cost. Typically, the quality of a product or service is determined by its cost vs. the profit you expect to generate. The balance you achieve here can go on to determine the performance standards adopted by the company. Profit maximization can also contribute to the economic and social well-being of a company and the individuals associated with it. When a business generates a profit, it is able to allocate resources more effectively and manage expenses associated with labor, asset management, and operations.

(Primeaux & Stieber, 1994) also discuss profit maximization in the context of business ethics. They present a model based on profit maximization and the relationship between business ethics and opportunity costs. The researchers argue that profits and business ethics are intrinsically related to each other and businesses must take on a synonymous approach toward each variable to achieve long-term success.

In terms of real estate, profit maximization is an integral part of the real estate industry. Like other businesses, real estate developers, investors, and sellers aim to maximize profit in order to achieve their business goals, remain operational, and initiate new real estate projects.

According to (Anderson, Lewis, & Zumpano, 2000), profit maximization is also treated as a priority by real estate brokerage firms. As per the researchers, real estate firms tend to err more failure to increase profits compared to erring from failure to reduce costs. This indicates that real estate firms tend to prioritize high profits over low costs. The researchers also found compelling evidence that suggested real estate firms were operating at rising returns to scale.

Besides this, (Wu & Colwell, 1986) also explore the impact of external factors such as multiple listing services on housing value. As per the researcher, introducing a multiple listing service can increase the value of a property. Thus, we can assume that better search efficiency and reach are effective ways to achieve profit maximization in real estate.

Profit maximization assumes a great deal of importance with respect to the UAE real estate market too. This is primarily because low price levels due to an oversupply of housing continue to pose a problem for real estate developers seeking a profit. As per (Al-Malkawi & Pillai, 2013), the global financial crisis also caused property values to decline by 20% to 50% in the UAE real estate market. While the UAE real estate market has managed to recover, real estate developers continue to struggle with housing oversupply as they attempt to increase property price levels to achieve profitability.

Understanding the factors that contribute to profit maximization may provide real estate developers with the vital information they need to overcome this obstacle and engage in profitable transactions that can continue to attract buyers and investors.

Accordingly, this paper explores which factors influence property price levels in UAE real estate and affect profit maximization in a positive as well as negative manner.

The remainder of this paper has been arranged to provide an overview of the significance of the study and discusses the materials and methods used, the theory/calculation, the results obtained, the discussion, and the conclusion.

2. Significance of the Research

Profit maximization serves as the cornerstone of commercial success. It is an integral part of the business concept and is among the chief business goals of every company. The real estate industry is no different in this regard, and private real estate developers seek to maximize profit while reducing their costs to ensure a successful transaction.

With respect to real estate developers in the UAE, this can be a challenge. Following the financial crisis of 2008, the UAE real estate industry has witnessed a number of problems, including withdrawal of foreign investments from the market, declining expatriate populations, a fall in customer confidence, and an imbalance between demand and supply of housing. These factors have greatly impacted the profitability of the real estate sector. (Saba & Barrington, 2021) also discuss the challenges the UAE market has faced between 2014 and 2021, with home prices declining steadily during this period. Besides this, (Global, 2021) suggests that house prices in Dubai have undergone significant fluctuations between 2010 and 2020.

Issues in price fluctuation make it difficult for real estate developers and companies to pursue profit maximization. However, understanding the factors that drive profit maximization may provide real estate developers and companies with new information that can help overcome such hurdles and allow the UAE real estate industry to thrive. It can also help shape government policy to support the real estate sector.

To our knowledge, there is no existing study that has attempted to identify and isolate these factors. This is a novel attempt that can prove helpful to real estate developers, buyers, and sellers and help increase real estate activity to bring more equilibrium to the UAE real estate market and offer new opportunities for profit maximization.

3. Materials and Methods

We have utilized secondary data for our research and have identified the factors that influence profit maximization in real estate markets in the UAE, China, Saudi Arabia, Turkey, and Vietnam.

All data and research presented herewith have been sourced from published research papers, books, and other relevant sources of literature. Our primary objective was to identify the factors that affect profit maximization in real estate. However, due to the limited research available on this subject, we have also examined factors that impact real estate price levels. Multiple studies have demonstrated the link between price and profitability. As per (Kohli & Suri, 2011), pricing is the most accessible tool for managing profitability. A fluctuation in pricing can impact a company's revenues and profitability. Accordingly, understanding the factors that impact the price levels of real estate can also help us gain a better understanding of the elements that drive profit maximization.

Reviewing the existing research on the factors that contribute to profit maximization and price levels in real estate has allowed us to present a more comprehensive view of the mechanisms that drive this phenomenon in the real estate sector in UAE, China, Saudi Arabia, and Vietnam. We have further used this information to present an overview of the potential factors that impact profit maximization in the UAE.

4. Theory/Calculation

(Au & Hendrickson, 1986) investigate the factors that contribute to the profit of a real estate construction project. The researchers offer a rational framework that analyzes the impact of factors such as changing operation conditions, financing mechanisms, and inflation on a construction project's profitability. The researchers clarify a number of aspects related to profitability, as well. For starters, they deem the internal rate of return of the operational cash flow as an incorrect measure of profit. Moreover, they suggest that the gross operating profit that is measured based on the residual net cash flow toward the project's completion does not take the cost of financing the project into account. The researchers also conclude that the financing cost for real estate construction is impacted by inflation, interest rate, and work stoppage. Besides this, the researchers suggest that profitability can be improved if the responsibility of financing

the construction project is assumed by the owner, while the contractor oversees price concessions. The researchers suggest that fluctuation in inflation rates can affect profits in real estate. This is because the total price of the contract consists of receipts in then-current dollars. Therefore, the expenses of the construction project are also in then-current dollars. This can offer an inaccurate picture of the financing costs and the project might incur a loss. The method of financing also plays a role in determining profitability. It affects the costs of financing as well as the project's cash flow management.

(Huang & Wang, 2005) also conducted a study on forecasting real estate development in Shenzhen, China. As per the researchers, the key factors that appeared to influence profit for real estate developers were Gross Domestic Product (GDP), Consumer Price Index (CPI), savings, the total amount of housing development, the total area in construction, total area completed, fees, taxes, and loans.

Besides this, (Elazouni & Abido, 2014) have researched methods to maximize profit in the real estate construction industry in Saudi Arabia. The research presented a multi-objective, multi-mode scheduling optimization algorithm for this purpose. The results suggested that a trade-off between resource leveling, finance, and profit can help in profit maximization for real estate construction.

(Yat Hung, Ping Chuen Albert, & Chi Man Eddie, 2002) also examined how profitability is divided between property developers and contractors in Hong Kong. The researchers concluded that the profit of a real estate project is divided between these two sectors. In the developer's case, capital pressure can influence their share of profit. Meanwhile, for contractors, labor pressure determines their profitability when constructing real estate. The researchers also pointed out that gearing was higher among contractors than developers. However, this does not suggest that contractors borrow more money than developers. Instead, the high gearing among contractors is reflective of their low equity base as opposed to accumulating a high level of debt. The cost of equity for contractors is double that of developers. This is primarily due to their negative or low profit margins. Finally, the researchers concluded that capital gearing has a positive relation with assets. However, it's the relationship with profit margins that is negative. Thus, higher capital gearing can translate into lower profit margins.

(Barlas, Özbaş, & Özgün, 2007) have examined the real estate market in Istanbul, Turkey. They have created a causal loops diagram that can stimulate the real estate market. As per the diagram, profit in real estate can depend on the supply and demand ratio, the number of empty houses, the number of houses under construction, the cost of construction, and the price of the house.

(Hoai & Thanwadee, 2015) also investigate the factors that influence profit maximization in real estate companies in Vietnam. They identified a series of factors that appear to play a dominant role here. These include demand for housing, current supply, housing stock, the number of off-plan properties, land cost, consultant costs, buying capacity, construction schedule, deposit interest rate, and construction cost. Other factors that also influence profit include the debt to equity ratio, consumer price index, GDP per capita, taxes and fees, buyers' payment schedule, and expected profits of developers. Accounting for these factors can allow real estate companies to maximize profits and earn more.

(Geltner, Kumar, & Van de Minne, 2019) examine the possibility of super-normal profit in real estate development. The researchers focus on commercial investment property. They test the assumption that since real estate development projects are designed to offer positive net present value, this can lead to super-normal profit. They use this to present a framework where the existence of super-normal profit in the real estate development industry can influence publicly-traded equity like real estate investment trusts (REITs). The results of the study did not prove a direction of causality between positive net present value and real estate development activity of REITs. However, the results do imply a positive correlation between real estate development activity by REITs and value creation in the share prices of REITs. This indicates positive net present value and super-normal profit. The study also suggests that this type of super-normal profit can only exist due to some type of market power. This can be achieved in a variety of ways, like the uniqueness of locations, local political connections, innovative project designs, and more.

(Tsatsaronis & Zhu, 2004) investigate the impact of macroeconomic factors on residential property prices. The authors employ a vector autoregression model that influences six variables. These include the house price growth, inflation rate, the growth rate of GDP, the growth rate in inflation-adjusted bank credit, the real term spread, and the real short-term interest rate. As per the study's findings, economic growth, interest rates, inflation, equity prices, and bank lending have a significant impact on house price movements.

(Hepşen & Vatansever, 2012) also investigate the relationship between the Dubai property price index and macroeconomic indicators. The researchers make use of monthly data for an 8-year period between January 2003 and December 2010. As per the findings, the authors established a positive relationship between the residential property price index in Dubai and gold prices. A positive relationship was also observed between the property price index and the total number of direct foreign trades. Besides

this, a negative relationship was established between the property price index and the number of completed residential units.

5. Results

We have reviewed the relevant literature on factors for profit maximization in real estate. As per our research, there is limited relevant literature that can enable us to examine the factors that influence profit maximization in the UAE. However, we have examined profit maximization for other countries. Per our findings, the following factors can impact profitability for real estate developers, contractors, companies, and other relevant parties:

Inflation Rate

Fluctuation in the inflation rate can impact profit maximization in real estate. This is primarily because a rise in the inflation rate reduces the value of the dollar over time. This, in turn, increases the price of real estate over time. Thus, if the price of the property increases due to the inflation rate, this can lead to profit maximization. Conversely, if the inflation rate falls, the price of the property may decline against its initial construction cost. This can lower the overall profitability of the property for real estate companies, developers, and sellers. Real estate also serves as an effective hedge against inflation. As per (John, 2021), 35% of UAE investors have demonstrated an interest in UAE real estate to counteract the effects of inflation on their investment portfolio. This can lead to increased demand for real estate in the region and cause price levels to increase. It can offer further avenues for profit maximization, suggesting a positive and directly proportional relationship between the two variables.

Financing Methods and Interest Rate

The method of financing chosen can also create avenues of profit maximization and vice versa. Opting for a costly financing method disrupts the cash flow management of a real estate project. This can impact the net present value of the project negatively and reduce profit. It mainly applies to debt financing. This form of financing involves interest payments and other fees, which can reduce net income and affect cash flow.

Accordingly, the interest rate can also impact profit maximization in real estate. The interest rate increases the cost of borrowing for property developers and real estate companies that have opted for debt financing. While they may consider transferring this cost to the buyer, the increase in price level could reduce the competitiveness of the property. Developers and real estate companies must assess the market conditions and current average price levels to make a decision here.

Gross Domestic Product

The Gross Domestic Product (GDP typically indicates the health of the economy. Growth in GDP can cause inflation. It also leads to an increase in income among the general population. In the long term, this can lead to growth in median home prices. Real estate companies and developers can expect to achieve profit maximization during periods of GDP growth.

With respect to the UAE, the country's GDP has been historically linked with the performance of the real estate sector, as well. Poor economic growth has caused the sector to underperform, thereby hurting profitability. This suggests a directly proportional relationship where periods of economic growth bolster the performance of the real estate sector, potentially leading to profit maximization for real estate companies, developers, and sellers. As per (Alfaham, 2020), Dubai's GDP was estimated to be AED 407 billion in 2019, showcasing a growth rate of 2.2% on a year-on-year basis. Dubai's real estate sector was responsible for 7.2% of the GDP and demonstrated a growth rate of 3.3% compared to 2018. The sector was able to achieve an added value of over AED 29.4 billion.

Consumer Price Index and Savings

The Consumer Price Index determines the average price of goods and services that are commonly purchased by families. It is also referred to as the cost of living index. Typically, fluctuations in the Consumer Price Index can influence the expenses incurred on necessary items. As this cost increases, it can reduce the buying power of households. It also impacts their savings. Consequently, fewer households retain the ability to purchase a home. This can interfere with profit maximization as the demand for property decreases and real estate companies and developers must lower price levels in response.

In the UAE, housing accounts for 39.33% of the CPI basket. As per (FCSA., 2020), it accounted for 34% of the CPI basket. However, it is unclear whether a relationship exists between CPI and real estate with regard to profit maximization in the UAE.

Supply and Demand Ratio and Number of Empty Residential Units

As per the law of supply and demand, the market prices of a resource depend on the volume of the resource and its demand. In the case of real estate, we observe that an oversupply of housing versus low demand translates into reduced price levels. Conversely, housing shortages and high demand for property can cause price levels to increase. The supply and demand of housing can influence profit maximization too. As property price levels decline in the market, property developers and investors must reduce their profit margins in order to sell the property. Conversely, high demand and

a shortage of housing enable investors and property developers to hike up prices and earn a maximum profit on a real estate transaction.

With respect to the United Arab Emirates, the oversupply of housing assumes a vital role in determining property prices in the country. As per (Maceda, 2021) the oversupply of housing in the UAE was approximately 1 million units in 2020. Dubai and Abu Dhabi recorded the total number of empty residential units to be 860,000 in the fourth quarter of 2020. As a result, property price levels declined by 4% in Abu Dhabi and 8% in Dubai.

Besides this, the findings in (Hepşen & Vatansever, 2012) suggest a negative relationship between the number of completed residential units and the Dubai property price index. As the property price index declines, we can assume that this affects profit margins. Overall, these relationships suggest that the supply and demand ratio and the number of completed residential units can influence the profit maximization of real estate in the UAE.

Off-plan Properties

Off-plan properties refer to residential properties that have not been completely built but are available for sale. These properties are typically sold via a contractual agreement and are available at a lower price. The relationship between off-plan properties and profit maximization can be assumed to be a directly proportional one, such that selling more off-plan properties can translate into higher profits for property developers. This is because selling these properties beforehand when the market is performing well can allow property developers to hedge future risks and leverage market trends.

Conversely, selling a residential property before completion can also eliminate the possibility of selling the property at a higher price once it is completed. Moreover, if property price levels increase further, then property developers can no longer benefit from this upward trend to achieve profit maximization.

Off-plan sales have gained prominence in the UAE real estate market. According to (Kamel, 2021), off-plan property sales increased by four times in July 2021 in Dubai. Off-plan property sales have also played a significant role in reviving the UAE real estate market and we can assume they have a positive impact on real estate profitability.

Land and Construction Costs

Land cost and construction costs influence the total cost of a residential project. Incurring high costs on this front can directly enable profit maximization in real estate. Property developers typically attempt to control these costs through efficient resource allocation, time management, effective labor, and procuring materials at the lowest

possible price. Construction schedules can also impact construction costs, such that any delays can increase the cost of a real estate project. This can be due to inflation and other factors that cause costs to rise. Therefore, optimizing these costs is essential for maximizing profit on a real estate project.

Currently, we are unable to establish a significant link between land and construction costs with respect to the UAE. However, as per the argument presented above, we can expect high land and construction costs to reduce profitability and serve as an obstacle to profit maximization.

Deposit Interest Rate

The deposit interest rate can influence profit maximization in two ways. As discussed earlier, a high interest rate for construction loans can increase the cost of borrowing for property developers who are opting for debt financing for a real estate project. Besides this, high deposit interest rates also increase the cost of mortgages for buyers. As a result, periods of high interest rates can lead to reduced buying of real estate. Conversely, low interest rates can accelerate buying activity and potentially increase price levels to manage high demand. This can present opportunities for profit maximization.

The UAE Dirham is linked to the US dollar, and the UAE Central Bank typically increases or decreases the deposit interest rate as per the decisions taken by the US Federal Reserve Bank. The interest rate dropped significantly following the 2008 financial crisis and remained at 1% between 2009 and 2017. It increased from 2017 to 2019 but fell again between 2020 and 2021. In 2021, the interest rate was noted to be 1.5%. Despite a low interest rate between 2009 and 2021, (Saba & Barrington, 2021) suggest that house prices continued to decline steadily during 2014 and 2021 due to oversupply. This suggests that a low interest rate did not play a significant role in increasing real estate transactions. Therefore, it may not contribute to the profit maximization of real estate in the UAE.

Buying Capacity

Buying capacity is associated with economic growth, the Consumer Price Index, interest rate, and inflation rate. An increase in economic growth translates into more income opportunities for prospective homeowners and increases their buying capacity. This can translate into higher demand for real estate and allow real estate developers and investors to achieve profit maximization. A decline in economic growth can be expected to have the opposite effect. Besides this, the interest rate, Consumer Price Index, and inflation rate tend to have an inversely proportional relationship with a

consumer's buying capacity. An increase in these variables can reduce buying capacity and vice versa. Thus, periods of high inflation along with a high Consumer Price Index and interest rate can reduce real estate activity and cause a decline in profit margins.

Taxes and Fees

Real estate taxes and fees are also linked to profit maximization. An increase in the tax rate and fees can reduce the profit margin of a real estate transaction and vice versa. Taxes on capital gains are particularly important for real estate investors that buy real estate and sell it at a later point when price levels increase. Any taxes and fees paid before and after this sale can impact the profitability of a real estate transaction here. Real estate investors typically account for these factors by buying and holding properties until price levels increase to sufficient levels, thereby allowing them to carry out a profitable transaction. Any consultant fees can also be minimized by working with real estate agents and attorneys that offer cost-effective services.

With respect to Dubai, buyers and sellers are required to pay a one-time land registry fee of 4% when they purchase or sell a property. This fee is split between the buyer and the seller. Besides this, capital gains are not taxed in the UAE and there are no property taxes, as well.

6. Discussion

This study outlines the factors that can potentially contribute to profit maximization in real estate. Based on our review of the existing research available on this subject, we have identified several key variables that appear to influence real estate prices. In doing so, they can impact the profit margins of real estate developers and investors.

Property developers, investors, contractors, and real estate buyers can account for these factors to achieve profit maximization in real estate. The first variable under consideration was the inflation rate. The inflation rate has played a historical role in the economic growth of a country. It impacts the price levels of goods and services and reduces the value of paper money. Per our findings, the inflation rate of a country can increase the price of real estate. It is a common tool for profit maximization utilized by property developers and investors. Conversely, a high inflation rate can also reduce the buying capacity of consumers who may not be able to buy a home during periods of high inflation. This can reduce demand for real estate and real estate companies and investors may have to reconsider pricing in order to sell a property. Real estate developers, sellers, and property companies must also be prepared for any losses they might incur during periods of low inflation. In such cases, their construction costs may exceed the current property price levels. It is essential for property developers, sellers, and real estate companies to balance these factors to ensure optimal activity levels in

the real estate sectors. This can help them earn reasonable levels of profit. With respect to the UAE, it is unclear if the inflation rate has a significant impact on profit maximization. Per our research, UAE investors appear to use real estate as a hedge against an increase in the inflation rate. However, we have not been able to determine if this can have a positive impact on real estate profitability for developers and real estate companies.

Interest rates also have a significant impact on the profitability of real estate. There are two aspects to consider here. With respect to real estate development and construction, a high interest rate can increase construction costs for companies that utilize debt financing for their projects. This directly impacts profit margins and can minimize the chances of profit maximization. Besides this, a high interest rate on home loans can also reduce demand for real estate among buyers who may choose not to buy a home to avoid higher costs of borrowing. Once again, real estate developers and companies must account for these impacts when pricing real estate to optimize costs and increase profits. With regards to the UAE, an analysis of the country's interest rate reveals that a low interest rate has not appeared to have a significant impact in supporting real estate activity. Despite interest rates remaining relatively low, we have not seen high levels of real estate transactions. This suggests that the interest rate may not be a significant variable in influencing profit maximization in the UAE.

We have also identified economic growth as a key variable in determining the profitability of real estate transactions. Typically, periods of economic growth increase income levels and buying capacity. This can accelerate real estate activity and allow real estate companies and investors to maximize profit. Engaging in high-end marketing efforts to promote properties and attract buyers can prove lucrative here and allow these parties to sell homes at higher-than-usual prices. Economic growth also appears to be linked to the performance of the real estate sector in the UAE. Poor economic growth has been marked by an underperforming real estate sector and vice versa in the country. Thus, we can assume that this variable plays a significant role in determining profit maximization.

Other variables that appear to play a distinct role in profit maximization include the Consumer Price Index, the supply and demand of real estate, and housing stock. We can assume a rise in the Consumer Price Index to affect buying capacity, which can cause a decline in real estate activity. With respect to the UAE, we have not been able to establish a clear relationship between the Consumer Price Index and real estate.

An oversupply of house stock also causes property price levels to decline. Given the oversupply of housing in the UAE, real estate developers and companies must take steps to encourage real estate activity and reduce the ongoing levels of house stock. This is

pivotal to improving the profitability of real estate in the UAE and can help support the sector. Real estate developers and companies must also work in tandem with the government and financial institutions to pinpoint the impact of monetary policy and access to debt financing on the real estate sector.

Profit maximization is also influenced by land costs, construction costs, buying capacity, taxes, and fees. Purchasing land at cost-effective rates and optimizing construction costs can translate into higher profits for real estate companies. This can be achieved by hiring an efficient and effective labor force that can complete construction as per a pre-decided schedule, procuring high-quality materials at a low cost, allocating resources in an effective manner, etc. Real estate companies must also account for the impact of inflation on construction and land costs and manage real estate projects accordingly. Currently, it is difficult to determine if these variables impact the profit maximization of real estate in the UAE.

With respect to buying capacity, real estate companies looking to achieve maximum market penetration must balance their profit margins against the buying capacity of consumers. Knowing the needs and requirements of their target audience can also influence pricing strategies in this instance and allow real estate companies to offer residential properties that encourage consumers to increase their buying capacity. It is also essential to consider factors like the inflation rate, interest rate, and Consumer Price Index that impact buying capacity here.

Finally, real estate investors and sellers around the globe must consider the impact of taxes and fees and seek to control these costs by hiring a tax consultant and working with reliable real estate agents who can help sell a property in a cost-effective manner wherein the benefits they offer outweigh the service charges. Real estate developers and companies in the UAE may not have to concern themselves with the impact of taxes and fees on profit maximization. As per our research, buyers and sellers need to pay a one-time land registry fee of 4% on the sale and purchase of a property. Besides this, investors do not need to pay capital gains taxes and property taxes. This can lead us to assume that the effect of taxes and fees on profit maximization in UAE real estate is negligible.

We have also examined the impact of off-plan sales on profit maximization. As per our preliminary research, an increase in off-plan sales can support the UAE real estate sector. This can translate into increased profitability. Thus, off-plan sales may serve as a significant variable that impacts profit maximization in UAE real estate.

On the whole, considering these factors can allow real estate developers, companies, buyers, and investors to make more informed decisions and formulate suitable pricing strategies that offer innovative avenues of profit maximization.

7. Conclusions and Recommendations

This study investigates the factors that impact profit maximization in the real estate sector. It outlines multiple variables that can potentially impact the profitability of real estate positively and negatively. We have reviewed the existing literature present on the variables that influence real estate price levels and profitability. Our research reveals that the inflation rate, financing methods, interest rate, GDP, Consumer Price Index, savings, buying capacity, supply and demand ratio, the number of empty residential units, off-plan properties, land costs, construction costs, and taxes and fees can play a determining role in determining profit margins of real estate developers and companies.

Understanding and evaluating the impact of these variables on the UAE real estate impact can allow real estate developers and companies to develop suitable strategies that enable them to circumvent or leverage the effect of these factors based on the impact they have on real estate price levels. The UAE government and financial institutions must also consider how these variables influence the real estate market and design programs and policies that support the country's real estate sector and help tackle the current issue of housing oversupply.

Further research can quantify the impact of these factors on the UAE real estate market and offer definitive proof of their relationship with UAE real estate.

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