



AirDXB

Short-Let Market Review Q1 2023



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Q1 2023 – The best performing quarter in Dubai history for real estate transactions. Sales value was AED 88.7B, up 9.5% v Q1 2022. Sales volume was 30,900, up 7.5% v Q1 2022. A plot at Dubai Creek Harbour was sold for AED 1.57B: the largest deal ever recorded. The sector as a whole is booming, but what does this mean for the short-let market? We provide an overview in our Market Review Q1 2023 report.

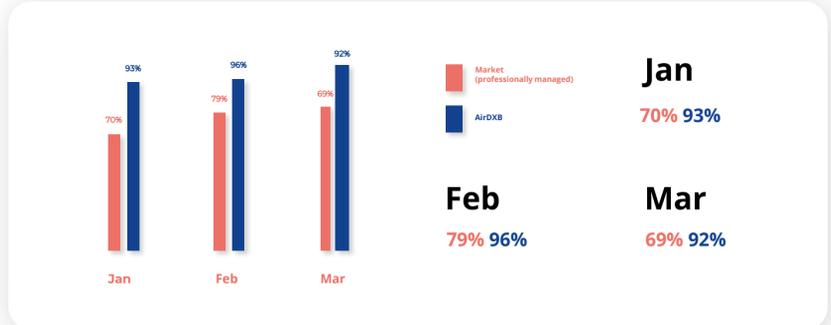
Dubai welcomed nearly 4 million tourists in Q1, up 50% from Q1 in 2022, fueled by a steady flow from three top source markets: Russia, India and Oman. Dubai's hotel stock climbed to 150,000 keys in Q1 2023, while the short-let market saw higher than average occupancy rates.

The migration to the long-term rental market is at an all-time high with less new stock coming onto the short-let market and short-let homeowners transitioning across to long-term. This has created greater demand for the short-let market, increasing average daily rates & occupancy levels, resulting in higher returns for short-let homeowners.

The short-let market remains a strong property investment for those considering selling the property in the short-mid term. There can be up to a 20% increase in sale price for buyers looking for chain-free property acquisitions. For example, a tenanted 2-bed in 5242 Dubai Marina is 17% cheaper than the same apartment chain-free. AirDXB recently advised on a sale where the buyer paid 11% more for an apartment in Bay Central, as it was chain-free.

Ramadan falling in mid-March created the usual slowdown in the short-let market, however occupancy rates were still over 10% higher than Ramadan last year. We expect to see this increase in 2024 as Ramadan continues to fall in tourist high season months.

Occupancy rates in Q1



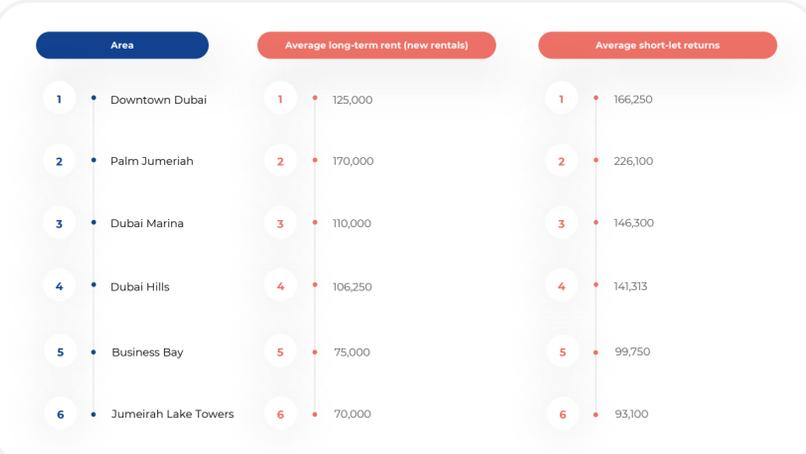
AirDXB hit 100% occupancy on several occasions in Q1 2023, with a generally higher rate in comparison to the market average overall. The market still performed well when compared to Q1 2022, with January seeing a 5% increase and February seeing equal rates. March, however, dipped by 15% from 84% in 2022. This may seem drastic, however Ramadan fell in mid-March and the market tends to slow down during this time every year. In fact, in comparison to the Ramadan period in April 2022, where the occupancy rate was 58%, the market this year performed well. We expect we will see even greater improvement in 2024 as Ramadan moves further into the tourist high season.

Average daily rates in Q1 – professionally managed properties on the Dubai short-let market



January and February saw slightly higher average daily rates (ADR) than March for professionally managed short-let properties in Dubai. This is expected due to the usual slowdown during Ramadan. Dubai is one of the top performing jurisdictions in terms of ADR for Airbnb listings globally, and tends to perform well annually in comparison to other jurisdictions (the USA being the best performing region). We predict Dubai will be the #1 tourist destination this year.

YTD on apartments (all bedrooms)



While rental rates in the long-term market are increasing at a rapid rate, our analysis tells us that the short-let market still offers better returns overall. This will be for various reasons, including lower volume of stock on the short-let market driving demand. Another important factor to consider is that the short-let model targets a completely different market, ie tourists, business-people, travelers, while the long-term model targets UAE residents. To put it in perspective, Dubai welcomed nearly 4 million tourists in Q1, up 50% v Q1 2022, setting a positive pace of growth. We have found that instead of being detrimental to the short-let market, the increase in long-term rents has had a positive impact for our portfolio, increasing daily rates as well as occupancy rates.

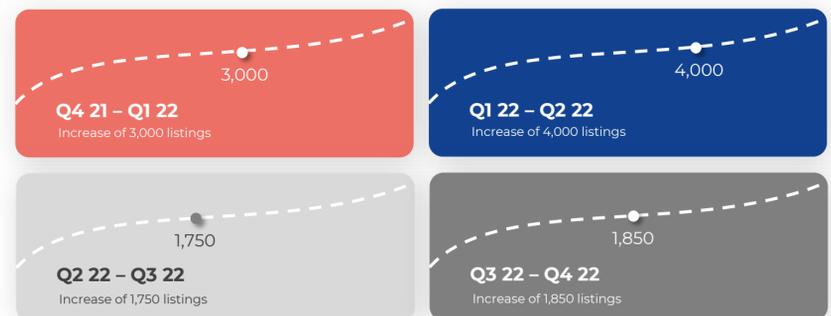
The migration to long-term

Rents in Dubai have increased by 30% due to many factors including new laws such as the 100% foreign ownership law, new residency and visa policies such as the golden & green visas, as well as factors such as the on-going war between Russia and the Ukraine. These, as well as other factors, are creating a jurisdiction popular for residents and tourists alike. Due to this, the short-let market has seen a decrease in total stock; we believe this to be around 10% as a market average and still climbing. This is good for our clients, as less supply equals greater demand, which results in higher returns. And while Q2 is traditionally quiet, our clients remain in prime position for the busy period later in the year and should expect to see the highest returns yet. From a financial perspective, we feel this is in stark contrast to long-term rental contracts with an annual 5% increase maximum.

Why buyers want chain-free

Homeowners selling their property(ies) can see up to a 20% higher sale price when they don't have long-term tenants, aka the property is chain-free. Our experience shows that purchasers are hesitant to buy properties where tenants need to be considered. The law states that tenants must receive 12 months' notice to vacate the premises from their "current" landlord. This means that even if the previous home-owner serves the tenants their notice, you, as the new landlord (and therefore the tenants' current landlord), must do the same and this date is the legally correct date for move-out. There are other considerations too: you can only evict tenants for one of the following reasons: 1) selling the property, 2) moving into the property, 3) major structural works are needed on the property, or 4) immediate family are moving in. You can receive large fines if found to be in breach of these rules.

New stock in the short-let market: a slow-down



Towards the end of 2022, as long-term rents increased in Dubai, the volume of new stock arriving onto the short-let market slowed considerably as homeowners chased the inflated prices in long-term. This trend has continued into Q1 2023 with 1,238 new listings across 3 months, showing a minor 5% quarterly growth in the short-let market. This is great for current homeowners in the short-let market, as less supply drives further demand, resulting in higher ADR and higher occupancy rates, meaning higher returns overall for short-let homeowners.

Guest nationality for Q1 2023: Top 5



Contact us

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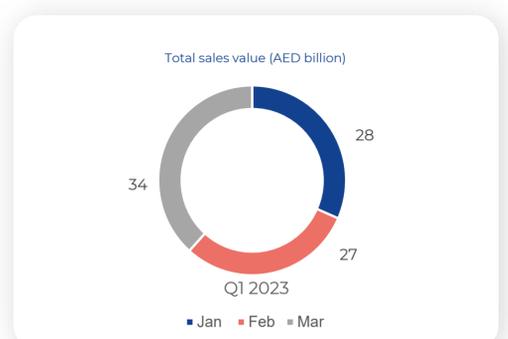
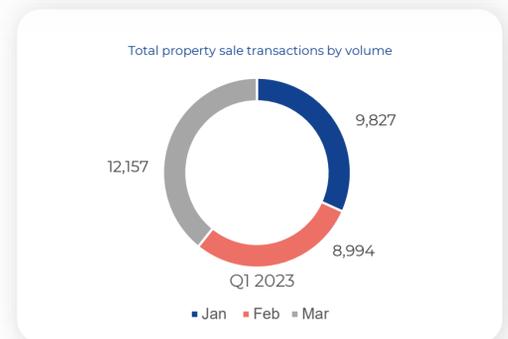
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Short-let spotlight on: Emaar Beachfront

Why we like this development

- The direct access off/to Sheik Zayed Rd.
- Views of Dubai marina are spectacular
- Imaginative architecture
- Private beaches
- Branded restaurants
- Could be the next #1 tourist destination

Bedrooms	1	2	3	T/H	
Price AED (Average)	2,600,000	4,500,000	7,000,000	14,500,000	
Long-Term Rental Rate AED	170,000	240,000	400,000	800,000	
Short-Term Letting Rate AED	310,000 (1,000 / night) 85% Occupancy	465,000 (1,500 / night) 85% Occupancy	697,500 (2,250 / night) 85% Occupancy	1,007,500 (3,750 / night) 85% Occupancy	
Short-Term Costs AED (Average)	62,000	93,000	139,500	232,500	
Net Return AED	Long-Term	6.5% 170,000	5.3% 240,000	5.7% 400,000	5.5% 800,000
	Short-Term	9.5% 248,000	8.3% 372,000	8.0% 558,000	6.4% 930,000



Type of properties being sold (by volume)

