



AirDXB

Short-Let Market Review Q2 2023

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The strength of the Dubai real estate sector is evident with H1 2023 recording the highest levels of real estate sales to-date: 61,000 total sales with a total value of nearly AED180 billion. Industry experts believe sales may exceed AED300 billion for the first time by the end of this year. What's making Dubai so interesting to investors? A rising population, new developments, minimal taxes, and a strong short-let market compared to global counterparts. This report takes a look at key trends and performance indicators in the short-let market in Q2 2023.

Part of the success of Dubai's short-let market lies in the consistent stream of tourists. Ramadan, normally a slow period, saw a record number of visitors, with 1.35 million people coming to Dubai during the holy month, a 19% increase from 2022, and 50% increase from pre-pandemic figures. Dubai has claimed the title of the world's most popular tourist destination for the second year running while Dubai International Airport remains the busiest international airport for 9 years running.

As is typical of hotter months, short-let occupancy rates fell in Q2 2023 when compared to Q1. However, levels were still 3% higher than the average occupancy rates globally. This is for several reasons, including greater competition with hotels as they drop rates to offset the expected lull in guests. AirDXB are proud to achieve consistently high occupancy rates, up to 55% higher than the Dubai market average, achieved by proactively monitoring the market and strategically pricing our portfolio accordingly.

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 15% increase in sale price for buyers looking for chain-free property acquisitions. Last year alone, our boutique investments advisory arm advised on 77 properties amounting to over AED100 million of assets. We are a fully independent, unbiased advisor for our clients wishing to sell properties, as well as those who need advice on where best to purchase for maximum returns on the short-let market.

The rise of the property investor. Q2 2023 saw an increase in apartment sales and a decrease in villa sales which would indicate that people are moving towards more affordable options to live in or to take advantage of the investment opportunities available. Discover more in our report below.

New rentals – Q2 2023 figures (all bedrooms)

Area		Average long-term rent (new rentals)		Average short-let returns	
1	Downtown Dubai	1	135,000	1	166,250
2	Palm Jumeirah	2	187,500	2	226,100
3	Dubai Marina	3	105,000	3	146,300
4	Dubai Hills	4	105,000	4	141,313
5	Business Bay	5	85,000	5	99,750
6	Jumeirah Lake Towers	6	75,000	6	93,100

We are starting to see long-term rental contracts decrease in value, for example the average rental contract in Dubai Marina is now AED5,000 less than it was in Q1. This is an indicator of things to come. Residents in Dubai are tiring of paying exorbitant prices and the perceived lack of real value. This ties in with the increase we have seen in the purchase of apartments – many residents would prefer to pay their own mortgage than the recent inflated rental prices. We believe this will be the start of the market normalizing in terms of long-term rentals, increasing the value found in short-let.

Our top off-plan developments

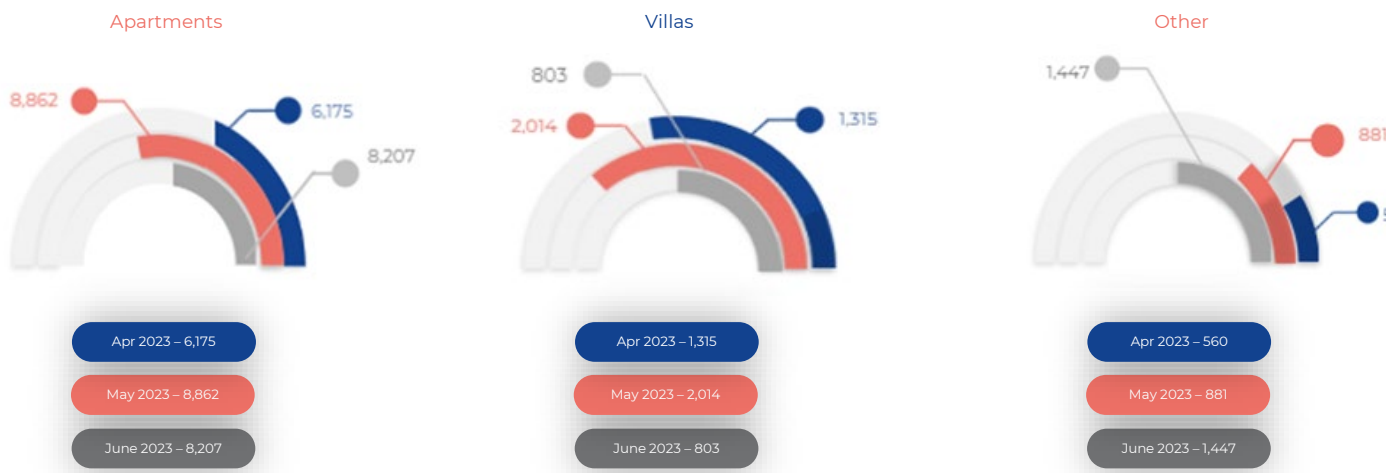
Project	Developer	Starting Price (AED)	Payment Plan	Why We Like It
Damac Bay A 42-storey, three tower development in Dubai Harbour	DAMAC	2.9M	20% Down Payment 60% Construction 20% Handover	Close to the Palm and Dubai Marina, this is seafront living at its finest, including a private beach
Jomana Located in Jumeirah Living Park, Madinat, combining traditional & modern elements	MERAAS	1.91M	20% Down Payment 50% Construction 30% Handover	Stunning views of Burj Al Arab, centrally located at Madinat with beach access and close to the airport. Contemporary and tranquil
Creek Waters A bustling new community with every taste catered for and stunning downtown views	EMAAR	1.6M	10% Down Payment 80% Construction 10% Handover	A great family community close by to Central Park which hosts a kid's play area, dog park, splash pad, lawn amphitheater and skating areas
Design Quarter In the heart of the Design District, a residential development with creativity at its core	MERAAS	2.02M	20% Down Payment 40% Construction 40% Handover	What's not to love with a double-level infinity pool, state-of-the-art gym and access to some of Dubai's finest restaurants & cultural events
Azizi Riviera 14 69 mid-rise residential buildings & 2 hotels in Meydan One	AZIZI	540k	10% Down Payment 40% Construction 50% Handover	An oasis close to the city, with an integrated retail district, waterfront views and great access links

Short-let spotlight on: Dubai Marina

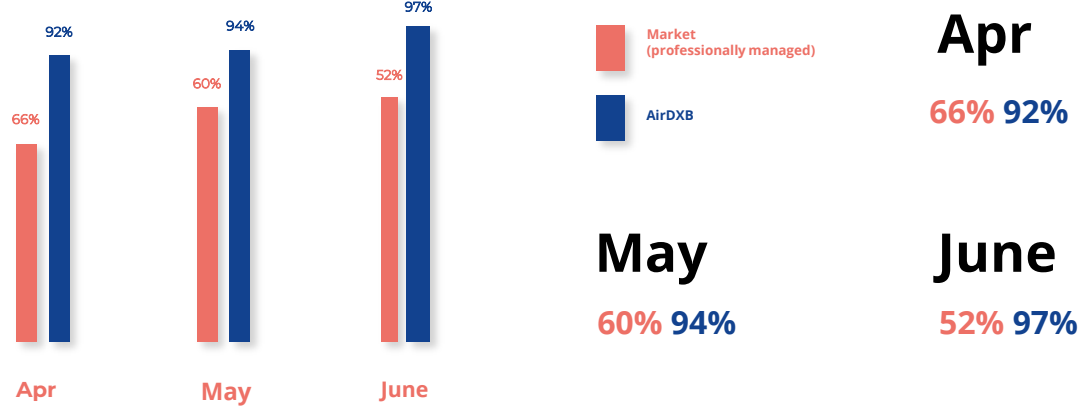


Bedrooms		Studio	1	2	3	4+
Transaction Price AED (Average)		845,100	1,050,030	1,780,250	2,900,000	5,000,000
Long-Term Rental Rate AED		60,050	83,925	135,075	190,010	315,000
Short-Term Letting Rate AED		116,000	155,000	241,000	337,000	585,000
Net Returns AED	Long-Term	60,050	83,925	135,075	190,010	315,000
	Short-Term	87,000	116,250	180,750	252,750	438,750
Yield	Long-Term	7.11%	7.99%	7.59%	6.55%	6.3%
	Short-Term	10.29%	11.07%	10.15%	8.72%	8.78%
Short-Term v Long-Term		+44.88%	+38.52%	+33.81%	+33.02%	+39.29%

Type of properties being sold (by volume)



Occupancy rates in Q2 2023

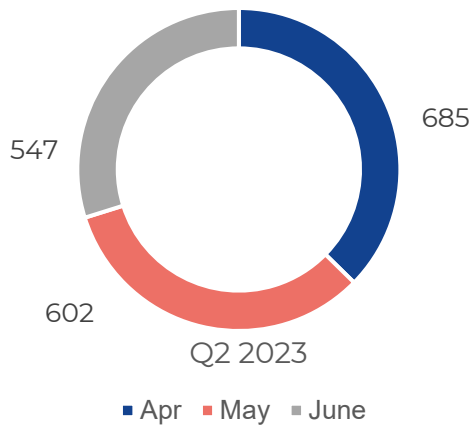


*Market average figures sourced from AirDNA

The overall Dubai short-let market saw a drop in occupancy rates in Q2 2023 when compared to Q1 2023, however, rates were on average 3% better for the quarter when compared to Q2 2022. AirDXB consistently have higher occupancy rates than market average - in fact we were a staggering 55% higher in June with a 97% occupancy rate. AirDNA, a data analysis provider, expects an average global occupancy rate of 56.7% in 2023, making Dubai one of the best markets for short-let investment. Combined with a healthy supply of new developments (see our top picks below), it really is hard to beat.

Average daily rates in Q2 2023 – professionally managed properties on the Dubai short-let market

Average daily rates (AED) across all professionally managed properties in Dubai



The ADR for the Dubai short-let market for Q2 2023 (AED611) was 31% lower than Q1 (AED891). This is expected in the hotter months, as tourism numbers can drop by up to 85%. The short-let market is cyclical and these dips in ADR are expected across the summer period but will pick up again in September. On a global level, economic uncertainty and persistent inflation have led tourists to seek out value, which will impact ADR levels to a degree as well. This trend highlights the need for high occupancy levels in order to offset potential decreases in ADR. At AirDXB, our ADR hasn't dropped below our normal levels for the time of year, however, we manage prices manually across all our portfolio on a daily basis. We do not rely on computer software like most other short-let companies, so this helps us to ensure better than market average occupancy levels, year-on-year.

The rise of the property investor

Q2 saw a significant surge in sales transactions, with May reaching 11,757 total transactions; a remarkable 76% increase in comparison to May 2022. The majority of sale transactions in Q2 2023 were for apartments, whereas villa sales declined by 31.7% in comparison to Q2 2022. In June alone, this figure rose to 63%. So, what does this mean? High rents are encouraging first time buyers to make the leap to a mortgage commitment (there have been 33% more mortgage transactions in 2023 in comparison to 2022). There are also new and exciting residential developments coming to the market. At AirDXB, we have seen a 20% increase in our stock as investors seek the high yields available in short-let. A significant number of these are first-time buyers, looking to supplement their income, secure an asset and meet mortgage repayments without tenancy and contractual obligations.

The top earners in short-let

Our analysis shows that there are certain attributes which can make your property a top earner on the short-let market. 1) Location is key but that doesn't mean only seaviews sell. Understanding the target market for your location means you can tailor your adverts and appeal to the right people. 2) Interiors matter. Our clients make 31% higher returns on average if their property has been professionally furnished in comparison to those who haven't enlisted our services. Our interiors team can do this for you on a budget and quickly. 3) Maintenance. Guests will write a bad review if something is broken or there are signs of wear & tear. Bad reviews will impact your occupancy rate. 4) Higher returns when selling. Chain-free properties have up to 20% higher sale value than their tenanted counterparts.

Guest nationality for Q2 2023: Top 5



*AirDXB welcomed 91 nationalities in April 2023 alone

Contact us

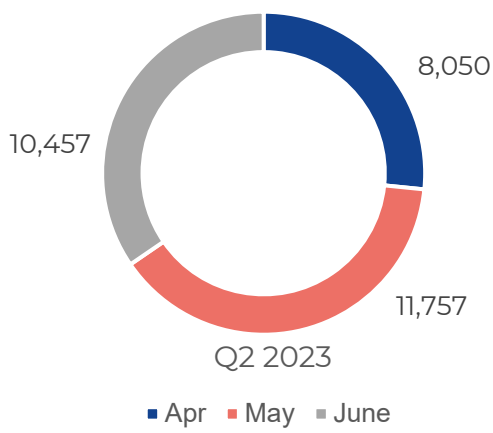


Gregory Lewis
Director, AirDXB Group

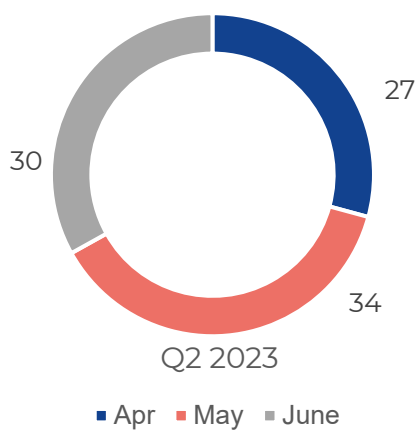
gregory@air-dxb.com +971 4 5163603



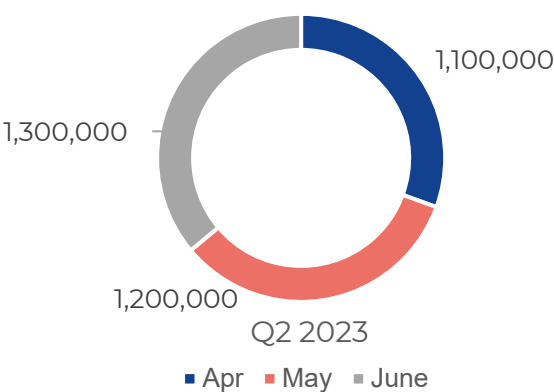
Total property sale transactions by volume



Total sales value (AED billion)



Average property prices (AED) Apartments



Average property prices (AED) Villas

