



AirDXB

Short-Let Market Review Report

Q3 2023

Dubai real estate continues to boom

Q3 2023 saw the highest total real estate sales value for the year at AED97.5B, up AED6.3B from Q2 and AED8.8B for Q1. July was the peak month with a total sales value of AED 37.7B, which is a huge 80.6% increase vs July 2022. We are still seeing apartments taking the majority share (AED 43.2B for the quarter), but there has been a percentage drop of -4.8% vs Q2 in transaction volume. Villa transactions – while still second to apartments – are up 16.8% in comparison to Q2 2023. This is partly due to the increase of off-plan villa communities coming on the market – in fact, July 2023 saw the highest off-plan sale volume (villas) at 1,702 transactions in the last 2 years.

Record-breaking rates for short-let

The short-let market was slow for the summer months (low season), as is the case every year. However, AirDXB consistently maintained higher-than-average occupancy levels and ADRs. As we enter high season (October – April), we are already seeing record-breaking rates across our portfolio, with multiple of our properties achieving their highest rates since listing with us (outside of the New Year period). COP28 is making a positive impact on the short-let market, as we are seeing maximum rates & occupancy levels in those first two weeks of December. The festive period through to New Year is always extremely lucrative for short-let, so December 2023 will be one of our most robust months yet.

Short-let stock decrease, increases demand

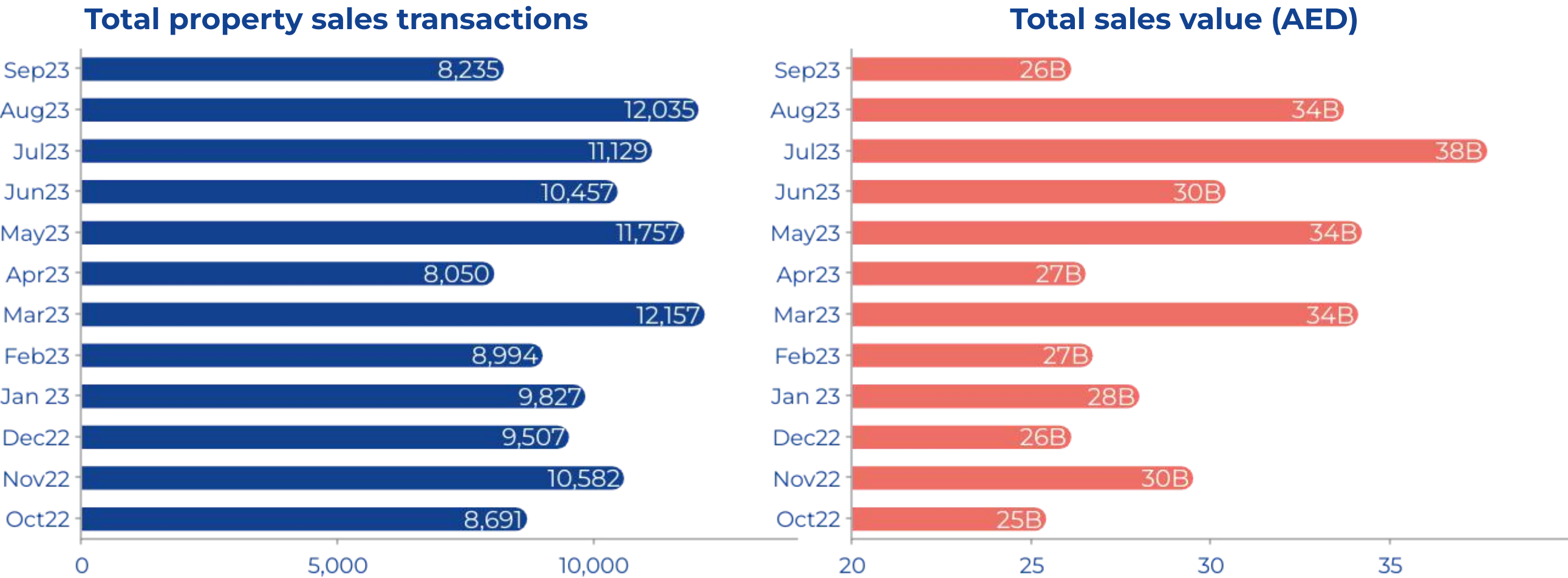
The short-let stock continues to drop in Dubai as some homeowners either transition to the long-term market or sell their property. In 2022, we were seeing percentage increases in stock of up to 80% YoY. In the last ten months, we have seen stock levels decrease by 20% (data taken from our market analysis and sources such as Airdna). This is good news for the short-let market: less supply increases demands = greater financial returns.

Long-term rental market is cooling

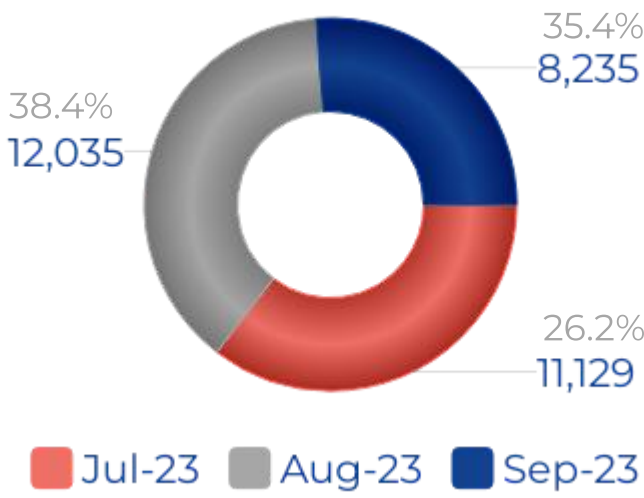
The long-term rental market is levelling out. We aren't seeing dramatic rental increases as we were at the start of the year. The Dubai Land Department states the average rent in Dubai for Q3 2023 was AED68,000, but prime locations such as Palm Jumeirah (AED256,785 average rent) and Downtown (AED195,717) have always been significantly higher (figures from CBRE Dubai Residential Market Snapshot – August 2023). While long-term rents aren't necessarily dropping in these areas, they aren't increasing either. Rental increases are now seen in areas such as JVC, JLT, Dubai Creek and Business Bay, as these 'secondary' markets see increased activity from people looking for value and deals. In fact, the CBRE report referenced above states that Mudon (5%), Deira (4.8%), and Remraan (4.6%) are seeing the highest spike in rents on a MoM basis (July 2023 figures).



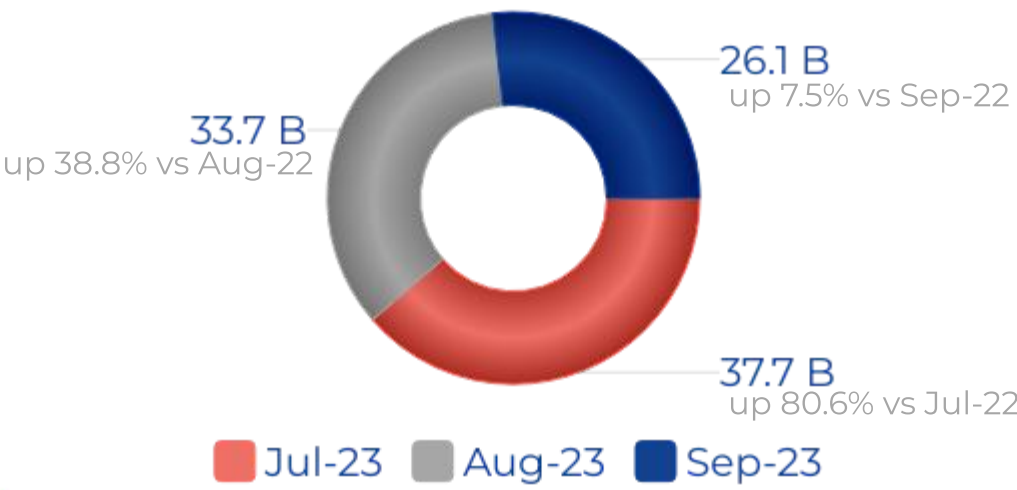
12-month overview: rolling tracker



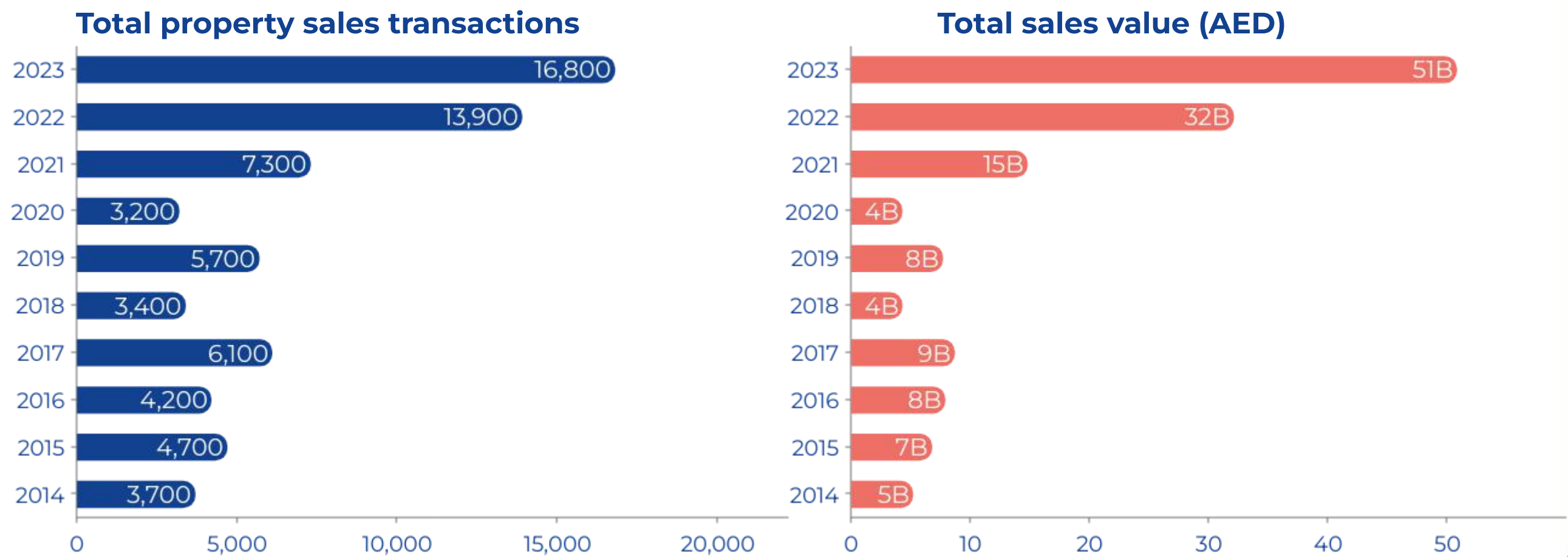
Total property sales transactions



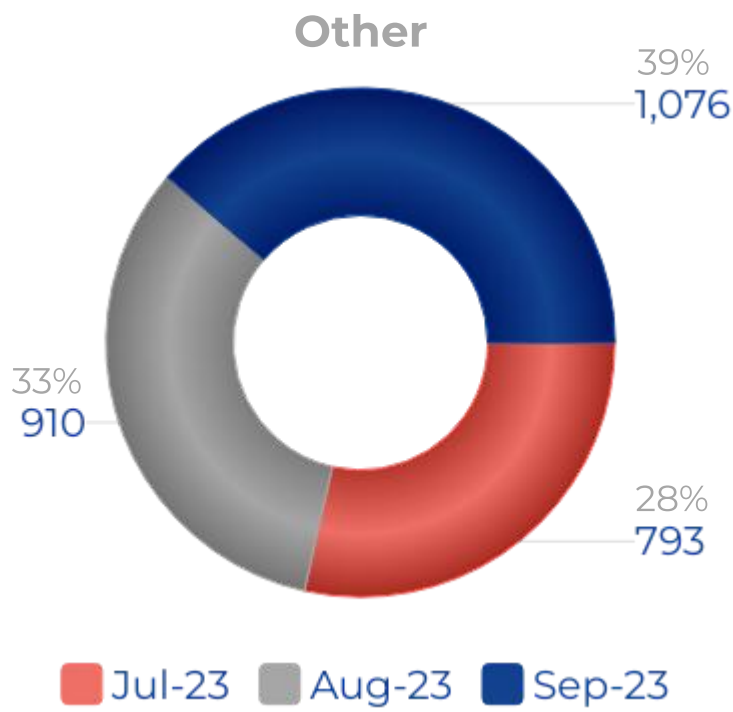
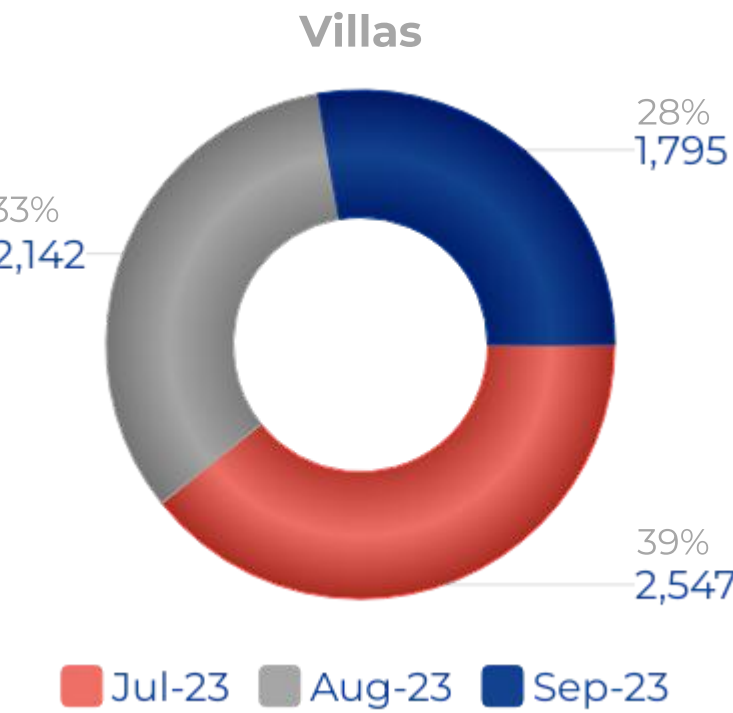
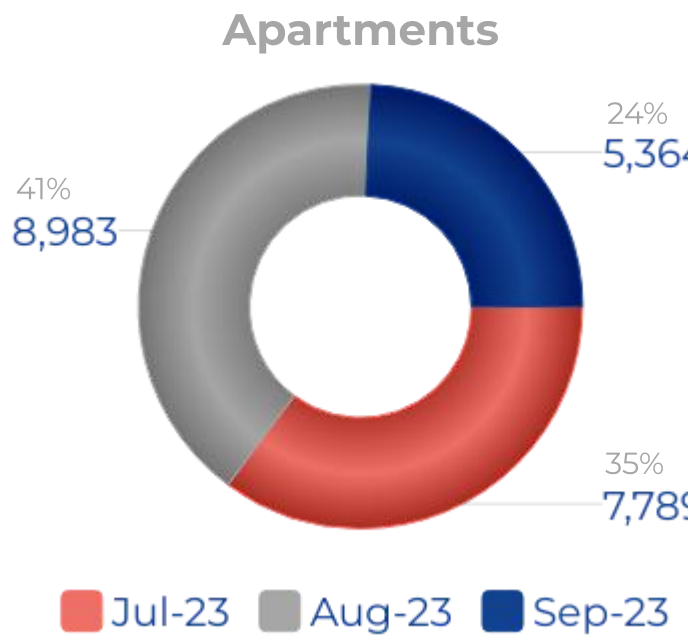
Total sales value (AED Billion)



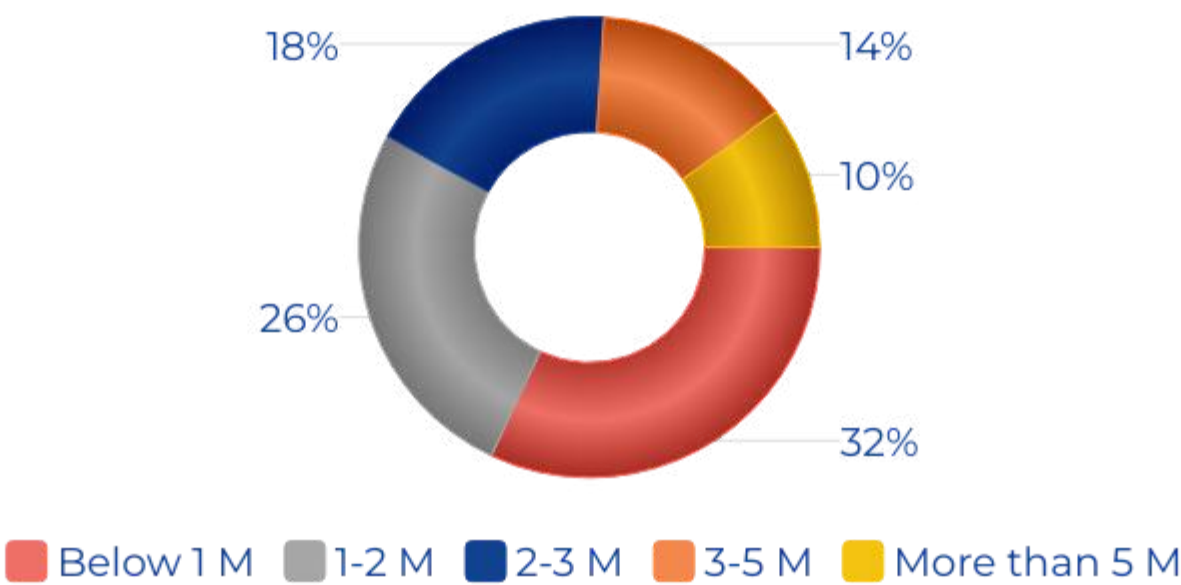
Q3 performance: 2014 – 2023



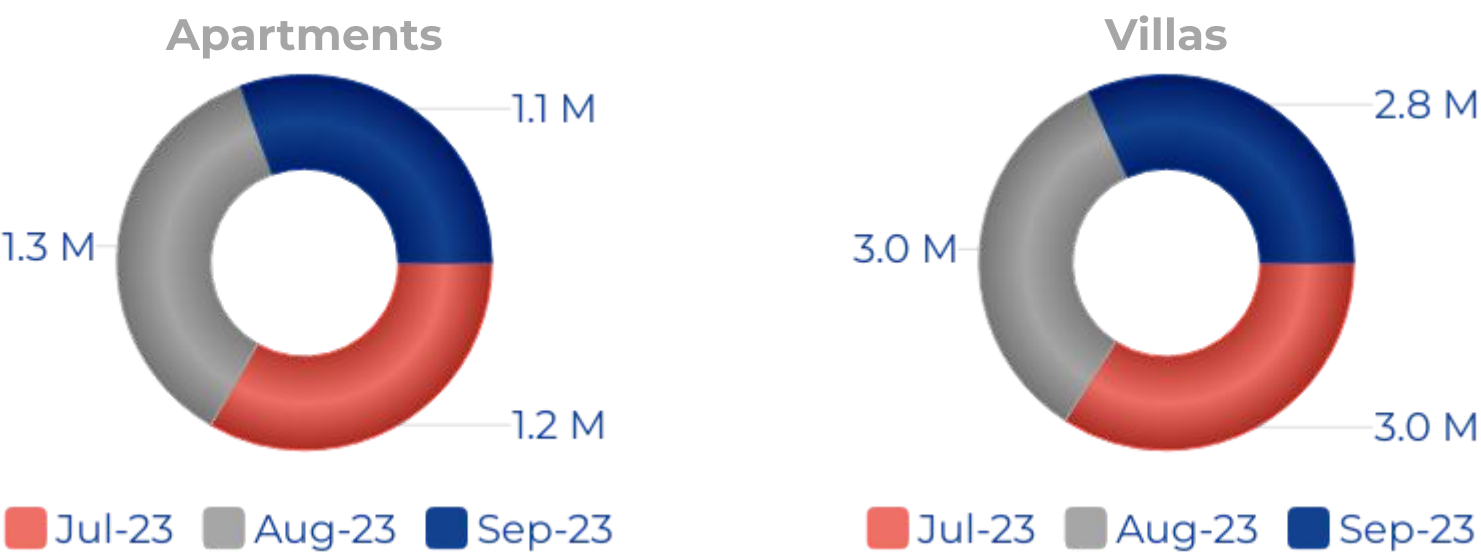
Type of properties by volume



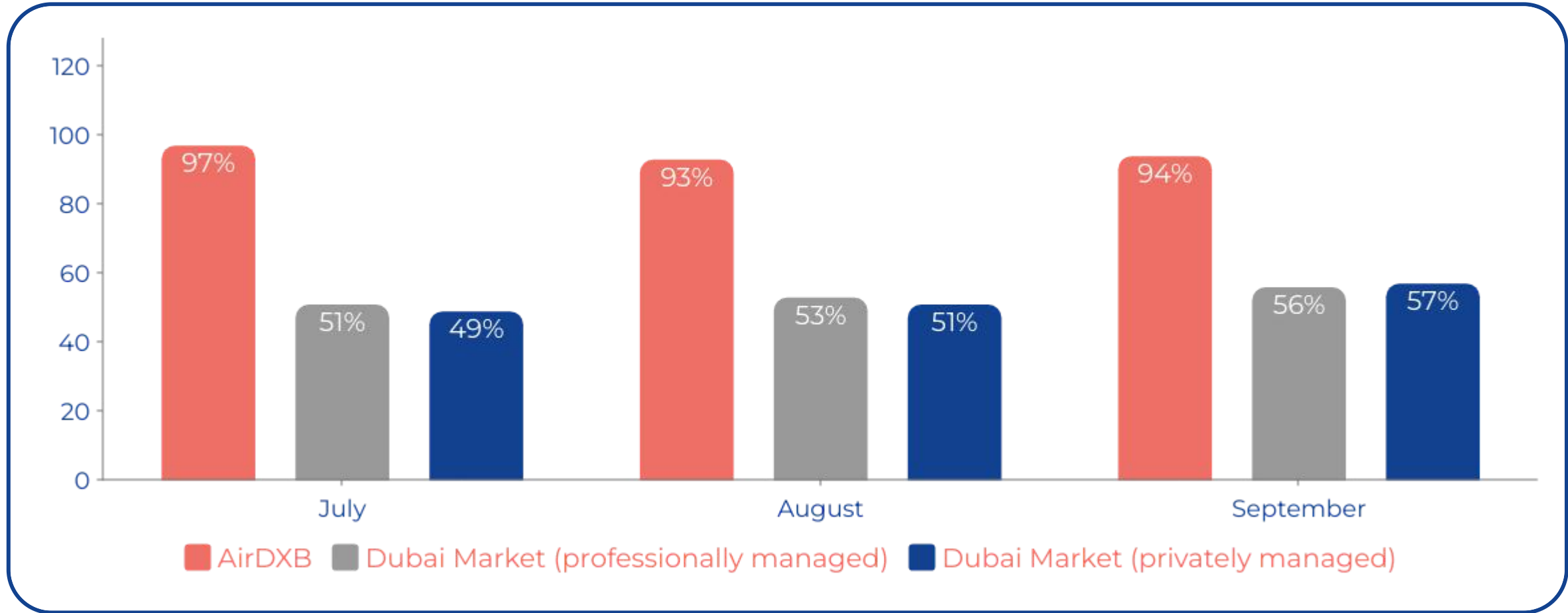
Property sales by price-range in Q3 2023



Average property prices (AED)



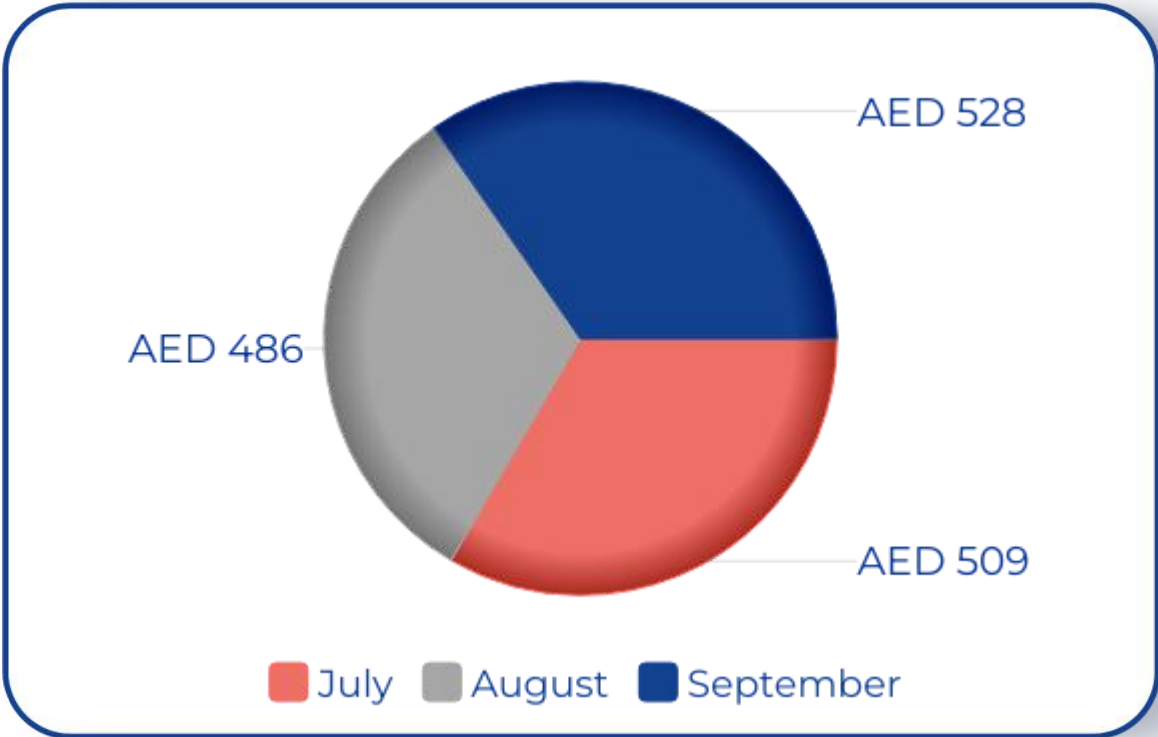
Occupancy rates in Q3 2023



The short-let market is cyclical and has a high season and a low season in a 12-month period. The summer months (June – August) are low season months, with September being a transitional month towards high season (October – April). It’s not surprising to see that the overall short-let market in Dubai faced a slump in occupancy rates during this time, gradually picking up in September. AirDXB consistently achieves high occupancy rates (up to 45% higher than competitors, and 50% higher than privately managed properties) through our knowledge of the market and an effective pricing strategy.

Average daily rates

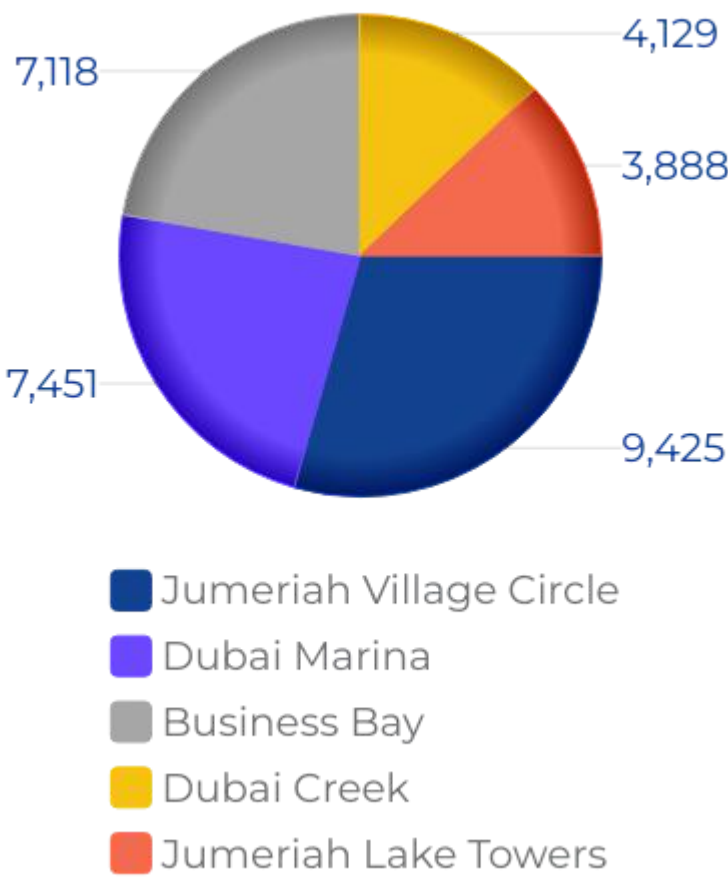
As per occupancy rates, ADRs take a hit in the low season as well. Q3 2023 hasn’t performed as well as Q3 2022, with an approximate AED100 less in ADR per month. Given economic conditions and inflation, this minor decrease is a positive sign that the Dubai short-let market remains robust in comparison to its global counterparts. If the high season remains consistent with previous years, there will be a sharp increase to AED700+ ADRs, with over AED1000 ADRs for the Christmas and the New Year Periods. Seasoned short-let homeowners will understand that Q3 is for recuperating and replenishing and the real fun begins in Q4.



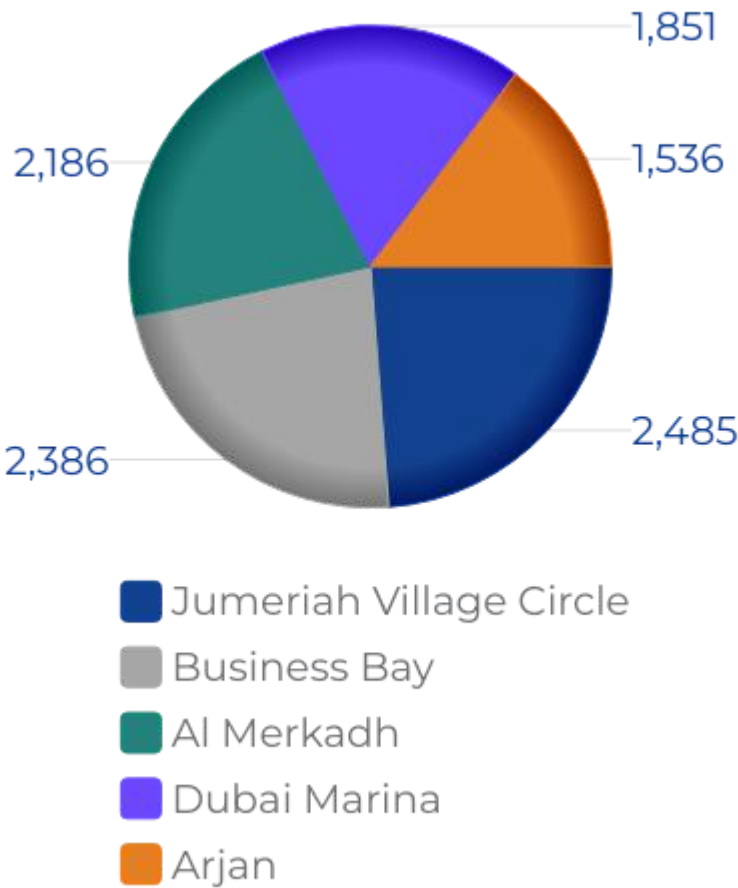
The shift towards Al Khail Road: a new dominating market

In the last ten months, the highest transaction volumes have been in areas such as JVC, Business Bay and JLT, knocking traditional favourites such as Downtown Dubai (#7) or the Palm Jumeriah (#16) out of the top 5. Those who were looking to invest or rent in what are seen as premium areas, have done so. We are now seeing mid-tier clientele dominate the market and they are looking for value and deals. This continues to be evident in Q3, with off-plan development, Al Merkadh, making the leaderboard, as well as up-and-coming residential community, Arjan. What does this mean for short-let? It’s a promising picture: for those buying in these areas as an investment, the lower sale price provides a greater yield on financial returns. We are continuing to see the rise in the first-time/one-time property investor in these areas (people seeking a supplementary income) – as demonstrated by Q3 statistics showing the majority of sales transactions fell below AED2 million - the hassle-free, no commitment investment option of short-let is appealing.

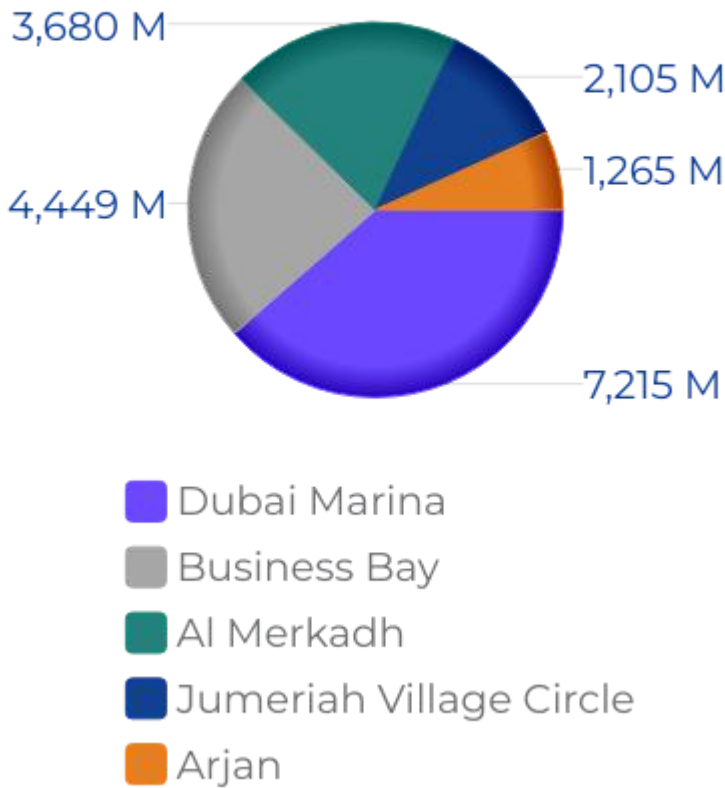
YTD – Top 5 Locations by Sales Volume



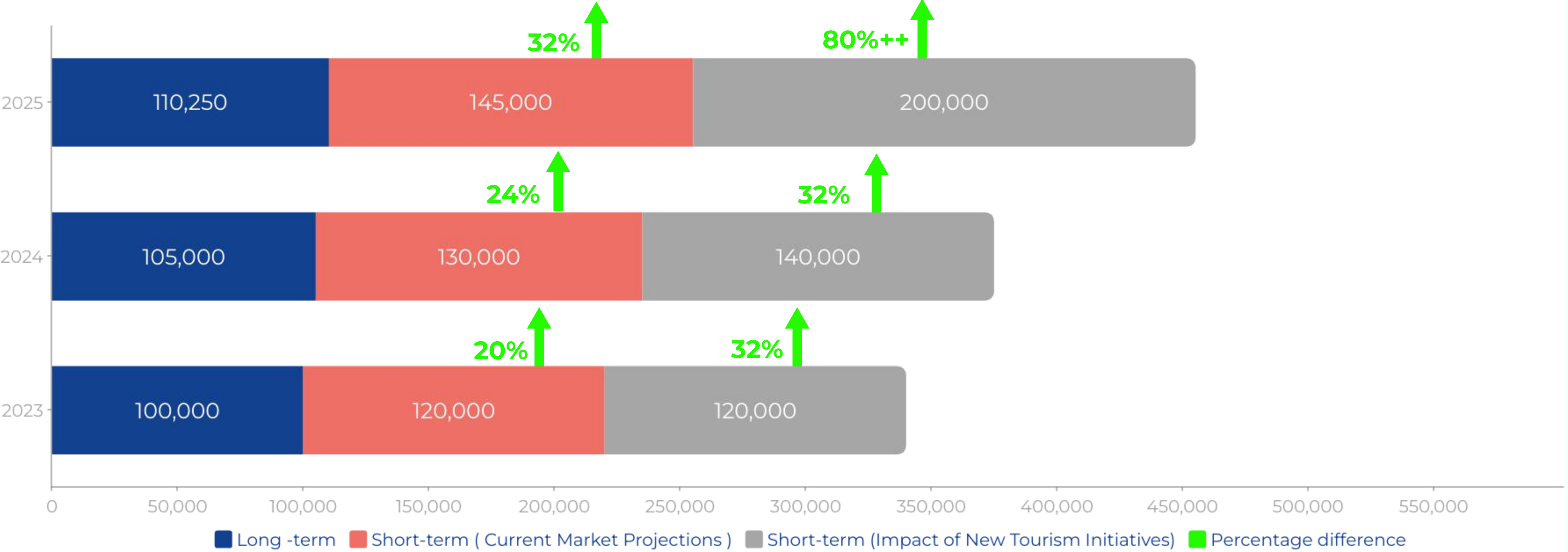
Q3 2023 – Top Locations by Sales Volume



Q3 2023 – Top Locations by Sales Value (AED)



Spotlight: Short-Let Projections 2023 – 2025 (it starts now)



The UAE Tourism Strategy 2031 was announced in November 2022 aimed at raising the tourism sector’s contribution to GDP to AED450 billion, increasing by AED27 billion annually. The proposed strategy will strengthen the position of the UAE as one of the best destinations in the world for tourism, boosting overnight visitors to 40 million by 2031 and attracting AED100 billion in additional tourism investments, potentially including commercial gaming.

Given the long-term market and short-let market target completely different audiences (residents vs tourists), homeowners in the long-term market won’t be able to take advantage of these new tourist-related initiatives. Strict RERA regulations on rental increases and tenant evictions will see the percentage difference between financial returns in short-let vs long-term dramatically increase (in SL favour) as long-term market landlords see themselves locked into contractual obligations.

The potential introduction of commercial gaming

The UAE officially announced the establishment of a new federal body – the General Commercial Gaming Regulatory Authority (GCCGRA) - which is charged with creating the country's regulatory framework for national lottery and commercial gaming. Market sources have projected an annual revenue from this sector at US\$6.6 billion, making it extremely lucrative from an economic standpoint. The sector would also bring an entirely new type of tourist to the Emirates. If we look to Macaw as a comparative market with a potentially similar gaming sector (valued at US\$5.2 billion), commercial gaming could bring between 5.7 million (2022) to nearly 40 million (2019) extra international travellers a year – a big benefit for the Dubai short-let market. [Access our full thoughts on commercial gaming in the UAE here >](#)

Guest nationality | Top 5



UK
11.18%



KSA
8.27%



USA
8.23%



France
7.02%



Russia
5.68%

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