



Dubai Residential

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Analyzing Hotel/ Serviced Apartments

Executive Summary

- Market Share

Hotel/serviced apartments make up less than 10% of all ready apartment sales, and have consistently done so over the last four years. Within the hotel/serviced apartment space, luxury accounts for the majority of transactions.

- Price Performance Comparison

Surprisingly, the secondary market has seen better price performance overall, both in regular and hotel/serviced apartments. Secondary apartments have also outperformed their hotel/serviced apartment counterparts in both the luxury and mid-market communities. On the whole, regular apartments have seen greater price performance, but the data is a mixed bag.

- Rental Yield Analysis

In the rental market, regular apartments have outperformed hotel/serviced apartments again with a higher average yield. Furthermore, hotel/serviced apartments consistently have higher services charges per square foot compared to regular apartments



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- 1. Market Share**
- 2. Price Performance Comparison**
- 3. Rental Yield Analysis**

Volume Concentrations

“The mob rushes in where individuals fear to tread.”

– B.F. Skinner

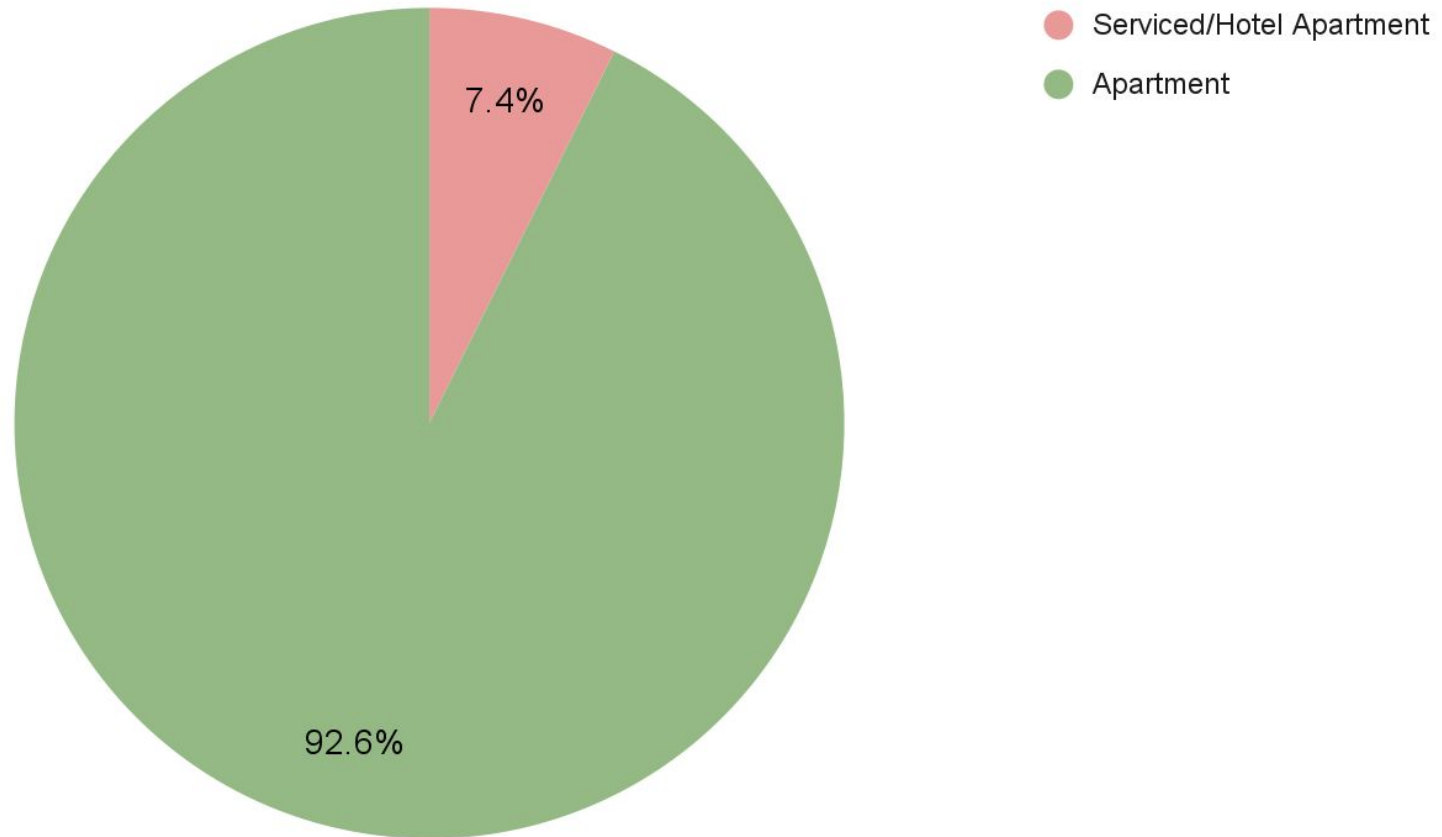


Serviced/Hotel Apartments Account for Minority of Market Share

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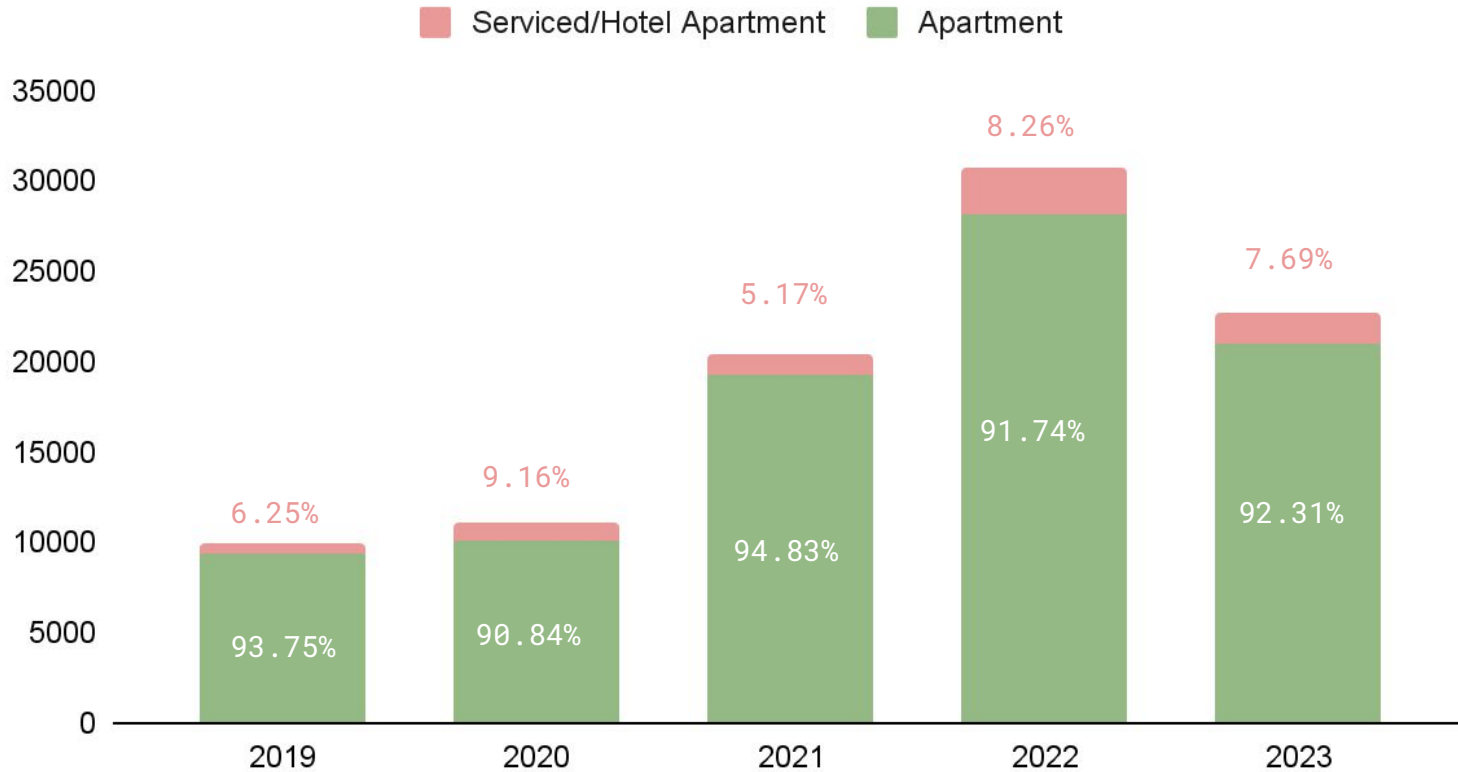
Market Share - Ready Sales 2019-2023



Over the last four years, serviced/hotel apartments have comprised a tiny portion of the ready sales market relative to regular apartments.

Year on Year Market Share Breakdown

Market Share - Ready Sales

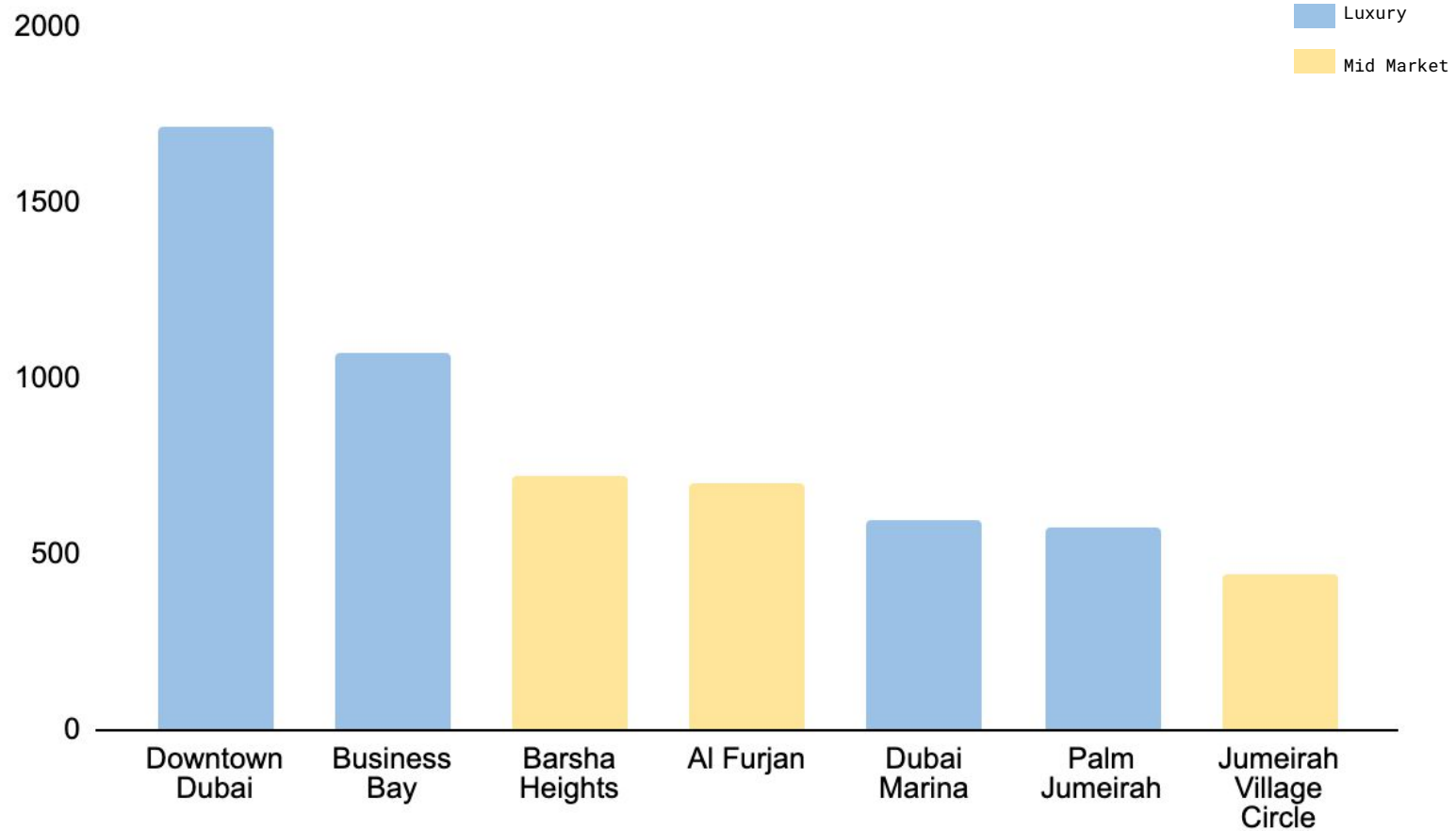


Serviced/Hotel Apartments have never made up more than 10% of ready sales in the ready apartment sales space at any point over the last four years. Surprisingly, the highest market share serviced/hotel apartments have had came in 2020, when they accounted for 9.16% of all ready apartment sales.

Luxury Dominates Serviced/Hotel Apartments Transaction Volume

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Luxury communities have also accounted for the majority of serviced/hotel apartment transactions.

Price Performance Comparison

“Never mistake activity for achievement.”

– John Wooden



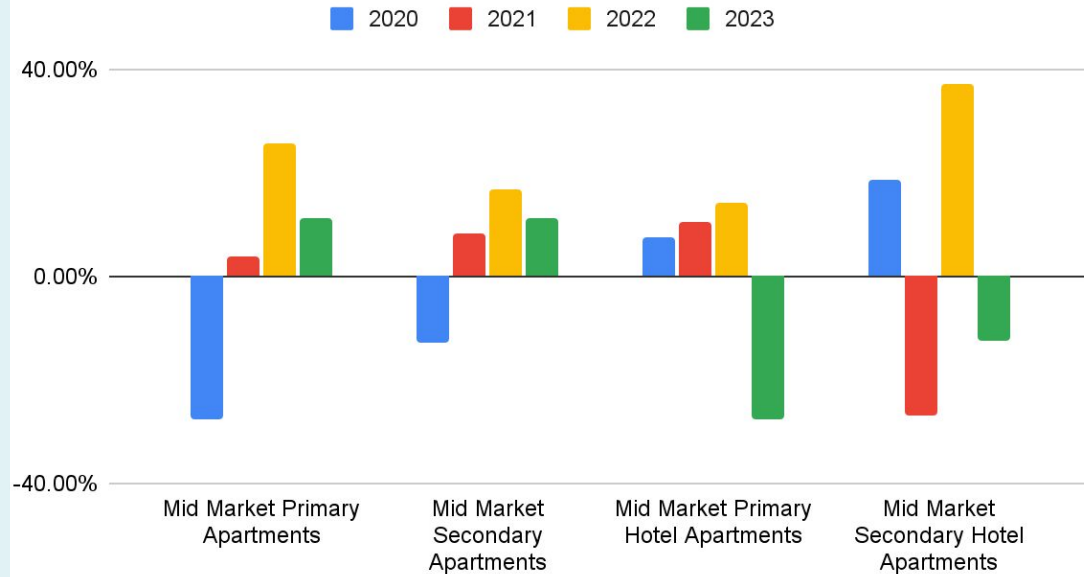
Mid Market Price Performance



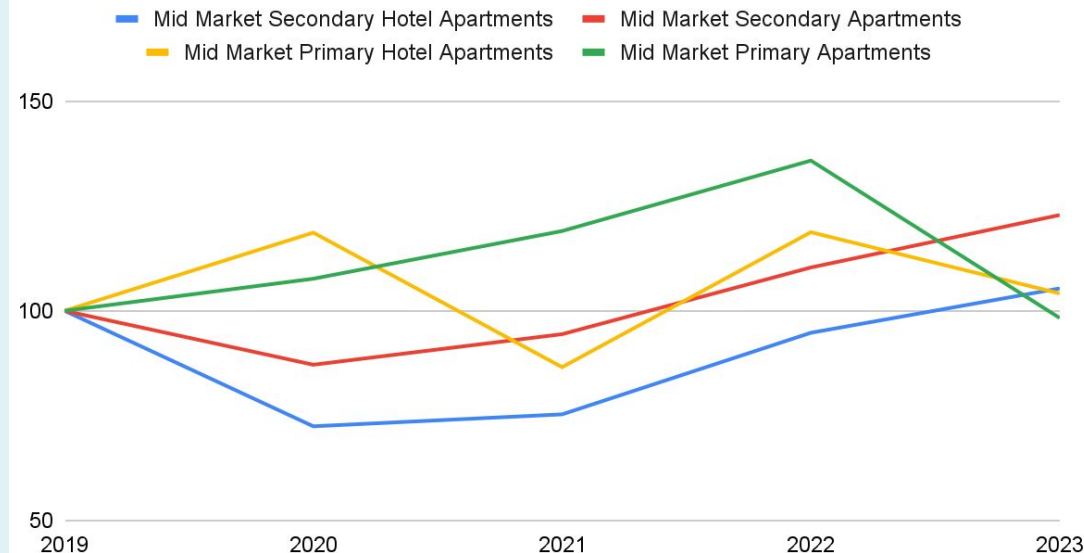
Looking at price performance in the mid market, we can see that regular apartments are currently outperforming the serviced/hotel apartments. Although serviced/hotel apartments were able to maintain positive price performance in 2020, both primary and secondary serviced/hotel apartments are experiencing price declines on average this year, while regular apartments are seeing just over 11% growth in prices.

Looking at an index of prices per square foot based in 2019, we see a mixed bag. Mid market secondary apartments are currently outperforming their pre-COVID price levels by the widest margin (22.83%). By contrast, primary apartments have dipped just below their 2019 average prices. Primary hotel/serviced apartments sit 4.14% above their pre-pandemic price level, although that is down from the 18.74% gap they had in 2022. Secondary hotel/serviced apartments have just managed to surpass their 2019 threshold this year, sitting at an index value of 105.33.

Mid Market Price Performance



Mid Market AED/SqFt Index



Luxury Price Performance

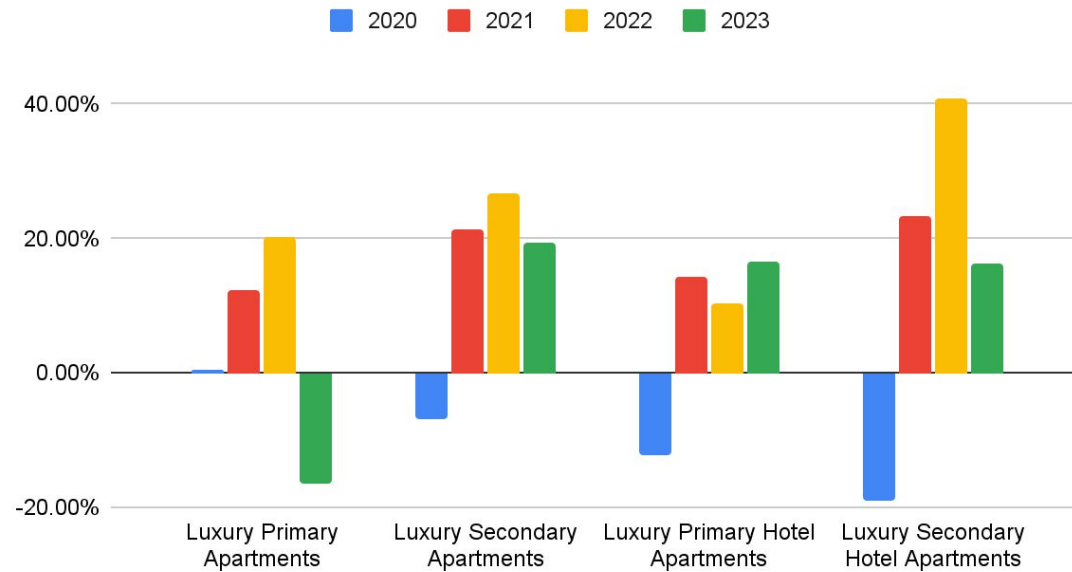


In the luxury space, we see a slightly different story. Primary apartments are seeing almost -20% price growth this year, while the 19.39% growth in secondary apartments is followed closely by the 16.67% and 16.27% growth in primary and secondary serviced/hotel apartments respectively.

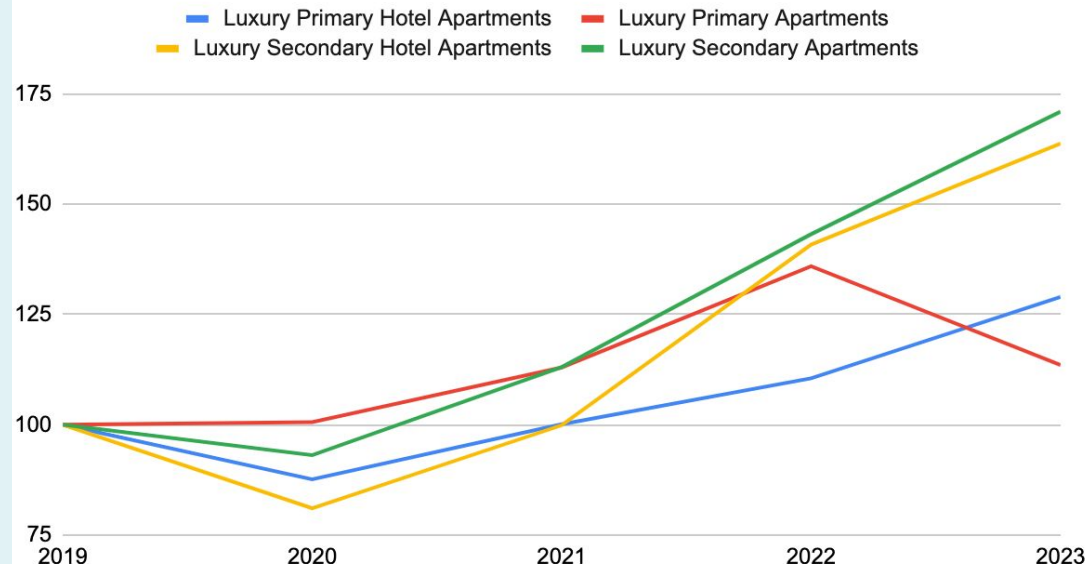
Once again in the index, secondary apartments come out on top, with prices 70.98% higher than their pre-pandemic average. However, secondary serviced/hotel apartments are close behind, with prices 63.77% higher than their 2019 threshold. Similar to the mid-market, primary apartments are seeing a decline in average prices per square foot after reaching a peak in 2022 (albeit still maintaining a 13.54% gap to their 2019 base).

Luxury Price Performance

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Luxury AED/SqFT Index

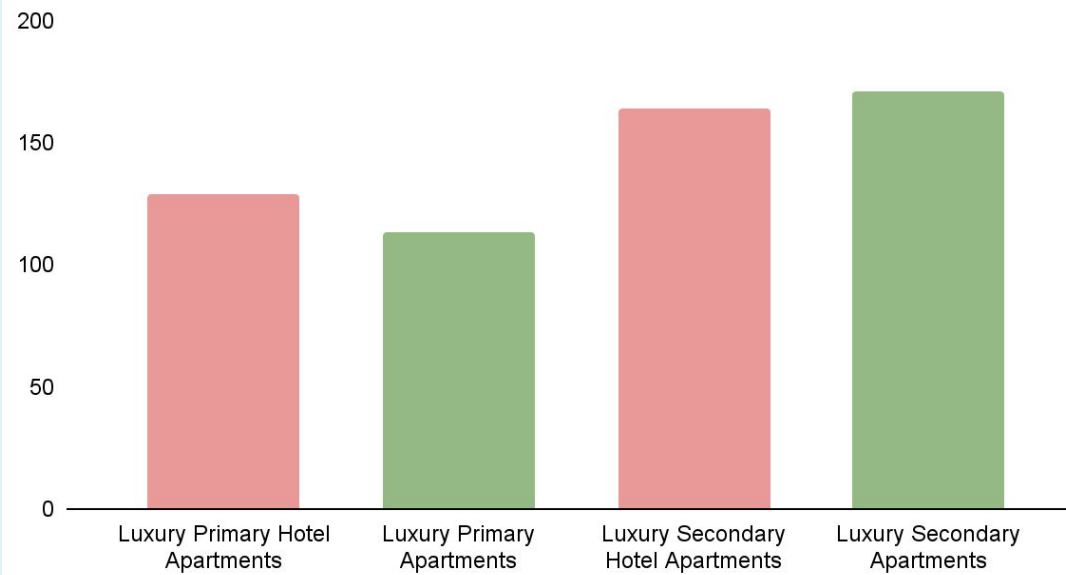


Comparing Index Performance

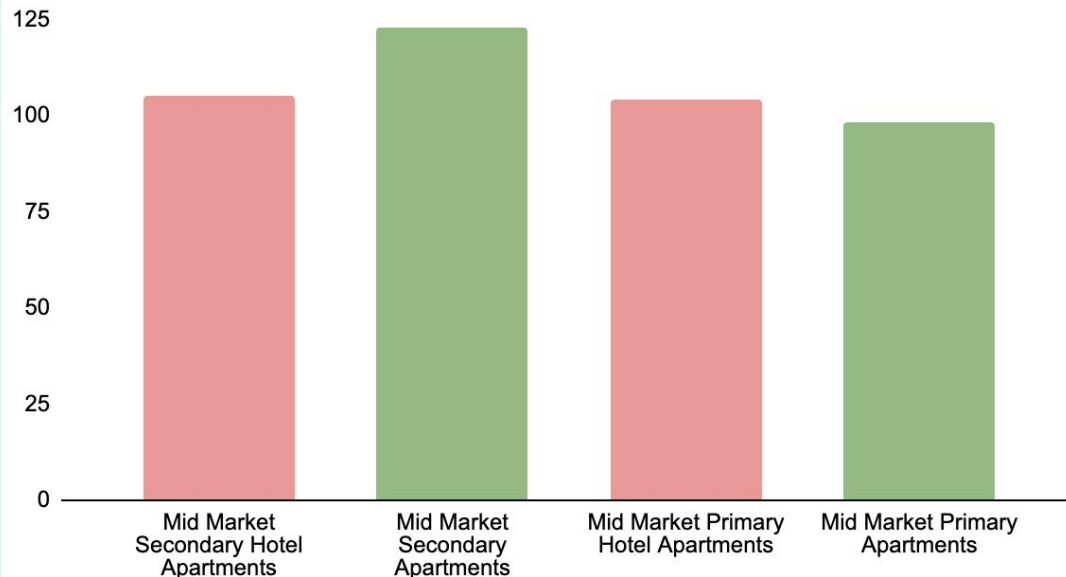
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Looking at the cumulative price index performance over the last four years, we can see that secondary apartments have outperformed secondary hotel/serviced apartments across luxury and mid-market communities (by 4.4% and 16.61% respectively).

Price Index Cumulative Performance 2019-2023 (Luxury) ^{REIDIN}



Price Index Cumulative Performance 2019-2023 (Mid Market)



Rental Yield Analysis

“Quality is never an accident. It is always the result of intelligent effort”

-John Ruskin



Comparing Rental Yields

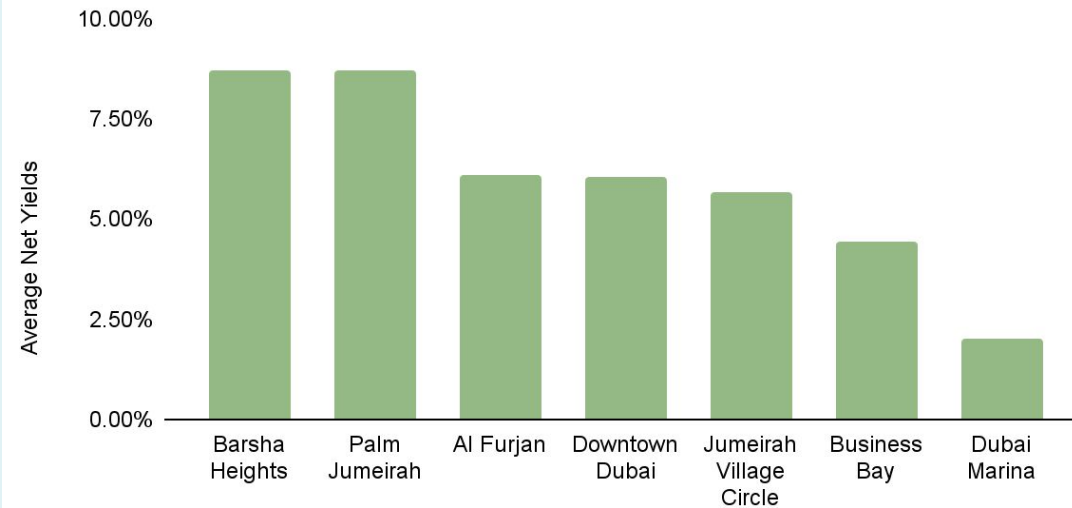
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The net rental yields also provide a mixed bag. Barsha Heights, Al Furjan and Palm Jumeirah all have higher net yields in the hotel/serviced apartment space, but Jumeirah Village Circle, Dubai Marina, Downtown Dubai and Business Bay all have superior yields in the regular apartment space.

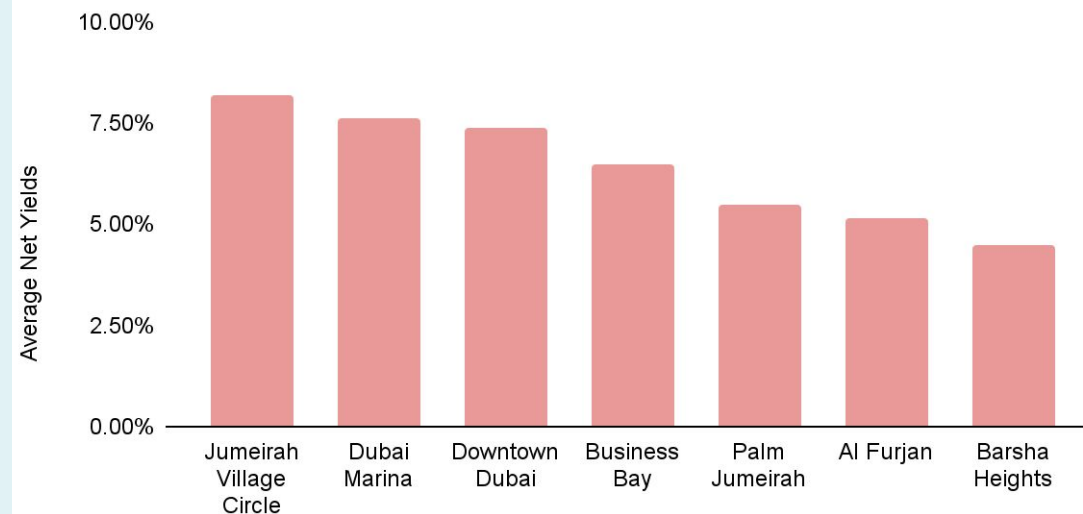
On balance, regular apartments have a higher average net yield, (6.4% as compared to 5.97% in serviced/hotel apartments). Furthermore, given that Downtown Dubai and Business Bay are the only two communities with over 1,000 transactions in the serviced/hotel apartment space over the last four years, and both have seen better yields in regular apartments, it lends credence to the conclusion that regular apartment rentals have outperformed serviced/hotel apartments.

Average Net Yields for Hotel Apartments

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Average Net Yields for Apartments



Comparing Service Charges

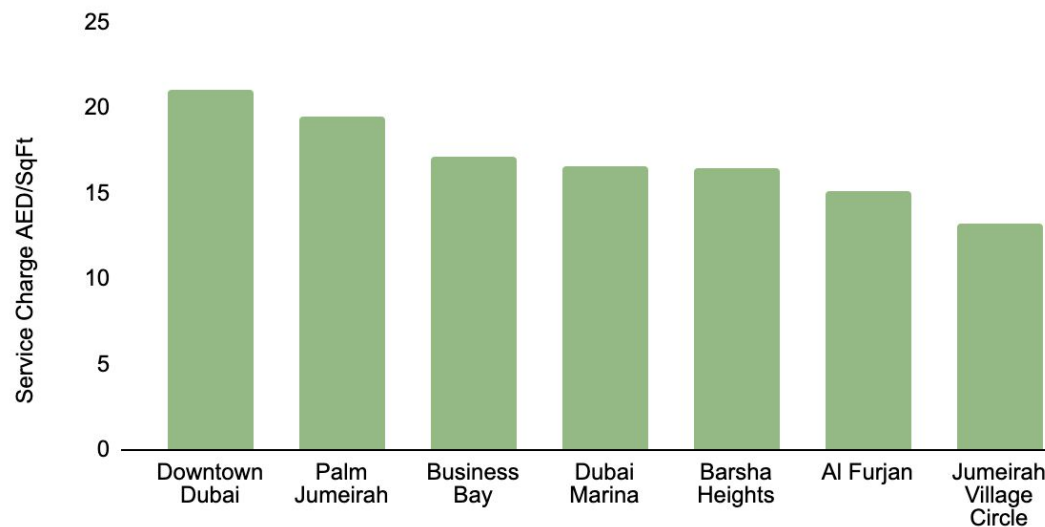
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Across all the communities with over 400 hotel/serviced apartment transactions since 2019 (which are the communities featured in the graphs to the right), service charges per square foot are invariably higher in hotel/serviced apartments as compared to their regular apartment counterparts.

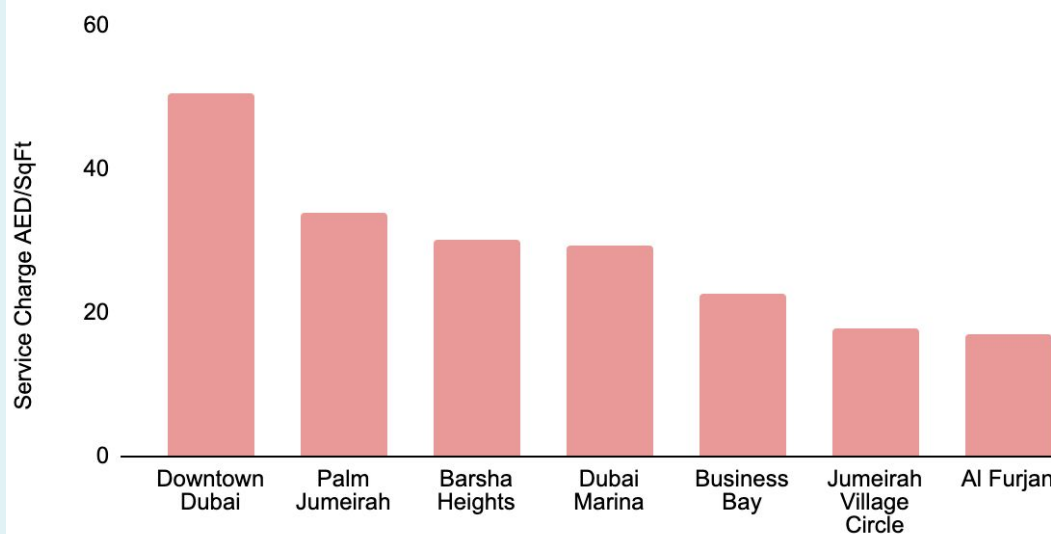
Overall, the average difference in service charges between hotel/serviced apartments and regular apartments is 64.92%. The biggest difference is in Downtown Dubai, where hotel/serviced apartments have average service charges per square foot 139.34% higher than their regular apartment counterparts.

Service Charge AED/SqFt for Apartments 2022

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Service Charge AED/SqFt for Hotel Apartments 2022



Conclusions

- **Volume Concentrations**

Over the last four years, hotel/serviced apartments have consistently made up a minority of ready sales. Based on the 2019 data, this seemed to hold true pre-COVID, and does not seem to have been affected by the pandemic.

- **Price Performance Comparison**

On the whole, regular apartments have outperformed hotel/serviced apartments. The secondary market has also been performing better than the primary market across both mid-market and luxury communities, and secondary apartments have outperformed their serviced/hotel apartment counterparts by 4.4% and 16.61% in luxury and mid market communities respectively.

- **Rental Yields Analysis**

In terms of rental yields, regular apartments have had the edge, especially in Downtown Dubai and Business Bay, two communities with the most hotel/serviced apartment transactions. Hotel/serviced apartments also consistently have far higher average per square foot service charges, averaging 64.92% more than their regular apartment counterparts.





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