Rent out and enjoy the returns

Setting up an apartment for short-term rental requires experience, interior designing skills and plenty of time and resources


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It is a very common and time-tested practice in the Italian, Spanish or French Riviera to rent out a personal property as a holiday home to tourists. In fact, the short-term rental business has proven pretty successful in those countries.

Since Dubai is working on becoming an international holiday destination, it is interesting to consider this investment opportunity. By renting out a property on short-term basis a landlord has the chance to use the property for his/her own personal use, generate a high return of investment by letting it out to holidaymakers and at the same time benefit from the property's value appreciation.

The short-term rental concept could be applied anywhere in the world. But the real key to its success lies in its implementation within the local market.

The concept by itself is nothing new and certainly not invented in Dubai. So, the actual heart of the business is not much in the idea as it is in its execution.

Having the idea and the product (the property) is just about 10 per cent of the business. What really matters is the marketing, which I would value at 70 per cent and the actual daily running which could be valued at 20 per cent.

Setting up an apartment for short-term rental requires experience, interior designing skills, attention to detail and plenty of time and resources to follow up the actual furnishing process, utilities connections, daily running and marketing.

Some details are extremely important and if overlooked will compromise the stay of your guests. Hence it is essential to set up the property with the guests' needs in mind rather than following questionable personal taste.

One detail that is consistently overlooked is the actual efficiency of the bedroom curtains, which in the majority of cases do not block the light properly. This is usually due to lack of experience or resorting to 'good bargain' ready-made curtains resulting in an untimely, nature induced daily wake up call for your guests rather early in the morning.

Another important aspect to acknowledge is the considerable investment to be made in purchasing the bathroom face and body towels. It is in fact necessary to provide a high number of these to allow a twice-weekly replenishment. The same goes for bed sheets, quilt covers, pillowcases, etc.


Attention to detail such as the bedroom curtains, bed sheets, quilt covers and pillow cases is important when setting up an apartment for short-term rental

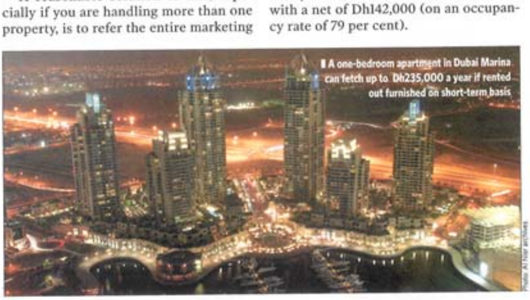
In most cases the 'do it yourself' schemes work pretty well when you do have experience, knowledge and passion about what you are engaged in. Otherwise, it will simply result in complete frustration to say the least.

Without considering the daily management issues and the inevitable guests' complaints, even the twice-weekly house-keeping service is a far more demanding task than it seems.

A reasonable solution to this, especially if you are handling more than one property, is to refer the entire marketing and management to a professional agent who for a fee (usually 20 per cent of the rental) will take the weight off your shoulders with a smile.

In the current market, a five-star one-bedroom apartment in Dubai Marina Phase 1 (where all the cafés and restaurants are) will rent for approximately Dh95,000 per year if unfurnished.

The same property can fetch up to Dh235,000 a year if rented out furnished on short-term basis. After deducting the 20 per cent agency commission plus about Dh40,000 for the furnishing and approximately Dh8,000 a year for the utility bills, this will leave the owner with a net of Dh142,000 (on an occupancy rate of 79 per cent).


A one-bedroom apartment in Dubai Marina can fetch up to Dh235,000 a year if rented out furnished on short-term basis

The numbers speak for themselves. However, it is important to remember that where there are good returns there is also a certain risk.

Many will agree that the most delicate figure of the above calculation is the occupancy rate, which cannot be guaranteed in any property short-term rental management contract.

Keeping the above consideration in mind, you might wish to engage an agent for your short-term rental requirements. It would be wise to commit for an initial trial period of maximum six months.

This period will allow you to gather enough details and a good idea about the reliability and actual potential of the agent/marketer you are dealing with.

Should you rather get more hands-on with the business, you could opt for a non-exclusive marketing agreement. You will be able to market your property through other agent/marketers and potentially increase your exposure.

This is not necessarily the optimum solution. In fact, many agents will give priority to the properties of those clients with whom they are contractually committed.

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