Dubai Marina In-Depth Analysis: Why Hotel Apartments are Lagging Behind?

This report provides an in-depth analysis of the Dubai Marina real estate market, revealing a significant disparity in the performance of residential apartments and hotel apartments from Q1 2021 to Q1 2024. By examining the key factors contributing to this divergence, we offer valuable insights and strategies

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OUTPERFORMING THE AVERAGE – DUBAI MARINA

INTRODUCTION

Dubai Marina, a bustling waterfront community in Dubai, has consistently been a top choice for real estate investors. From Q1 2021 to Q1 2024, apartments in Dubai Marina experienced an impressive 52% capital appreciation, showcasing the area's strong investment potential.

As a leading real estate consultancy, we aim to help our clients outperform the market average by making informed decisions when investing in Dubai Marina. This report explores the key factors that contribute to a property's success, with a particular focus on the striking difference in performance between residential properties and hotel apartments/rooms. By providing actionable insights and data-driven strategies, we empower investors to maximize their returns in this dynamic market.

IMPORTANCE OF THE ANALYSIS

In a dynamic market like Dubai Marina, understanding the distinctions that drive property value appreciation is crucial. By analyzing historical trends and identifying the characteristics of top-performing buildings, investors can make strategic decisions that help them stay ahead of the curve.

Our analysis not only highlights the overall market performance but also uncovers specific strategies that have enabled investors to outperform the average by a significant margin. By focusing on properties with a price per square foot lower than the average, smart investors have achieved returns up to **40%** higher than the market average.

RESEARCH INSIGHTS

Our research has identified several key factors that contribute to a building's success in Dubai Marina. These include:

1. LOCATION AND VIEWS:

Many of the top performing buildings, such as Bay Central, Yacht Bay, Atlantic Tower, and Marina Wharf II, are situated in prime locations within Dubai Marina, offering stunning views of the marina, sea, or Palm Jumeirah.

These desirable locations and views can significantly impact property values and rental yields. In contrast, some of the bottom performing buildings, like Continental Tower and Westside Marina, may have less desirable locations or views within the marina.

2. BUILDING QUALITY AND AMENITIES:

Top performers like Almass, Sky View Tower, and Park Island Bonaire boast high-end amenities such as state-of-the-art gyms, swimming pools, saunas, and children's play areas. These amenities can attract discerning buyers and tenants, leading to higher property values.

Some bottom performers, such as Al Murjan and Marina Quay North, may have fewer or lower-quality amenities, making them less attractive to potential buyers or renters.

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3. PROPERTY TYPE AND MARKET DEMAND:

The performance based on property type clearly shows that hotel apartments and hotel rooms underperformed in Dubai Marina compared to residential apartments and villas.

Property Type	Performance
Flat	68.18%
Hotel Apartment	60.15%
Villa	30.36%
Hotel Rooms	-14.69%

Four out of the 10 bottom performers were hotel apartments (TFG One Hotel, TFG Marina, Orra Harbour Tower 1, and Bayside), while only one hotel apartment (Dubai Marina Mall Hotel) was among the top performers. This suggests that the market demand for residential properties may have been stronger than for hotel apartments during the analyzed period.

Additionally, buildings with a diverse mix of apartment types and sizes, such as DEC Towers and Yacht Bay, performed well, possibly due to their ability to cater to a wider range of buyers and tenants.

4. AGE AND MAINTENANCE:

Newer buildings or those that have undergone recent renovations, like Sky View Tower and Bay Central, may have outperformed older buildings with aging facilities, such as Le Reve and Continental Tower. Regular maintenance and upkeep of the building and its amenities can also play a role in preserving or enhancing property values.

Top 10 Performing Buildings in Dubai Marina from 2021 Q1 to 2024 Q1

Building	Capital Appreciation
Al Mass	143.76%
Bay Central 1	142.86%
DEC Towers T3	138.75%
Yacht Bay	134.83%
Atlantic Tower 2	124.68%
Marina Wharf II	121.06%
Sky View Tower	119.88%
Park Island Bonaire	111.87%
Atessa X2	107.97%
Dubai Marina Mall Hotel	100.34%

Bottom 10 Performing Buildings in Dubai Marina from 2021 Q1 to 2024 Q1

Building	Capital Appreciation
The Jewels T2	-61.79%
TFG One Hotel	-23.39%
TFG Marina	-14.45%
Al Murjan	-12.70%
Orra Harbour Tower 1	-9.10%
Continental Tower	-5.06%
Marina Quay North	-4.06%
Le Reve	1.85%
Westside Marina	2.22%
Bayside	4.33%

KEY MARKET INSIGHTS

Our analysis reveals that investors who purchased apartments with a price per square foot lower than the Dubai Marina average have outperformed the market by a significant margin. These smart investors achieved an impressive 40% higher appreciation compared to the average, highlighting the importance of strategic property selection.

Furthermore, our research has uncovered striking differences in appreciation rates based on apartment types:

The Performance by Apartment type in all of Dubai Marina from 2021 Q1 to 2024 Q1

Bedroom Type	Performance
4 Bedroom	89.19%
2 Bedroom	71.90%
3 Bedroom	60.33%
1 Bedroom	58.31%
Studio	39.28%
5 Bedroom	-33.49%

While larger units generally performed well, the negative rate for 5-bedroom apartments could indicate specific market conditions such as an oversupply or a mismatch between offer and demand. Conversely, studios, while showing the least appreciation among smaller units, might represent an opportunity.

Interestingly, studios have witnessed a lower appreciation rate of 39.28% compared to larger apartment types. However, when considering the difference between sales transaction prices and asking prices, studios show the highest potential for price appreciation at 49.70%. This suggests that there may be an opportunity for investors to capitalize on the current undersupply of studio apartments in the market.

Investors should take these performance differences into account when making investment decisions in Dubai Marina. While 4-bedroom and 2-bedroom units have shown the highest appreciation rates, investors should also consider other factors such as the specific building, location, amenities, and potential rental yields.

Our analysis also revealed that rental yields had no significant correlation with the performance of a building. This suggests that investors should adopt a balanced approach, considering both capital appreciation potential and rental yields when evaluating investment opportunities in Dubai Marina.

By focusing on well-positioned properties with strong fundamentals, such as newer construction, prime location, attractive amenities, and proximity to metro stations, investors can make informed decisions and capitalize on the growth potential of the Dubai Marina real estate market.

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Building Performance
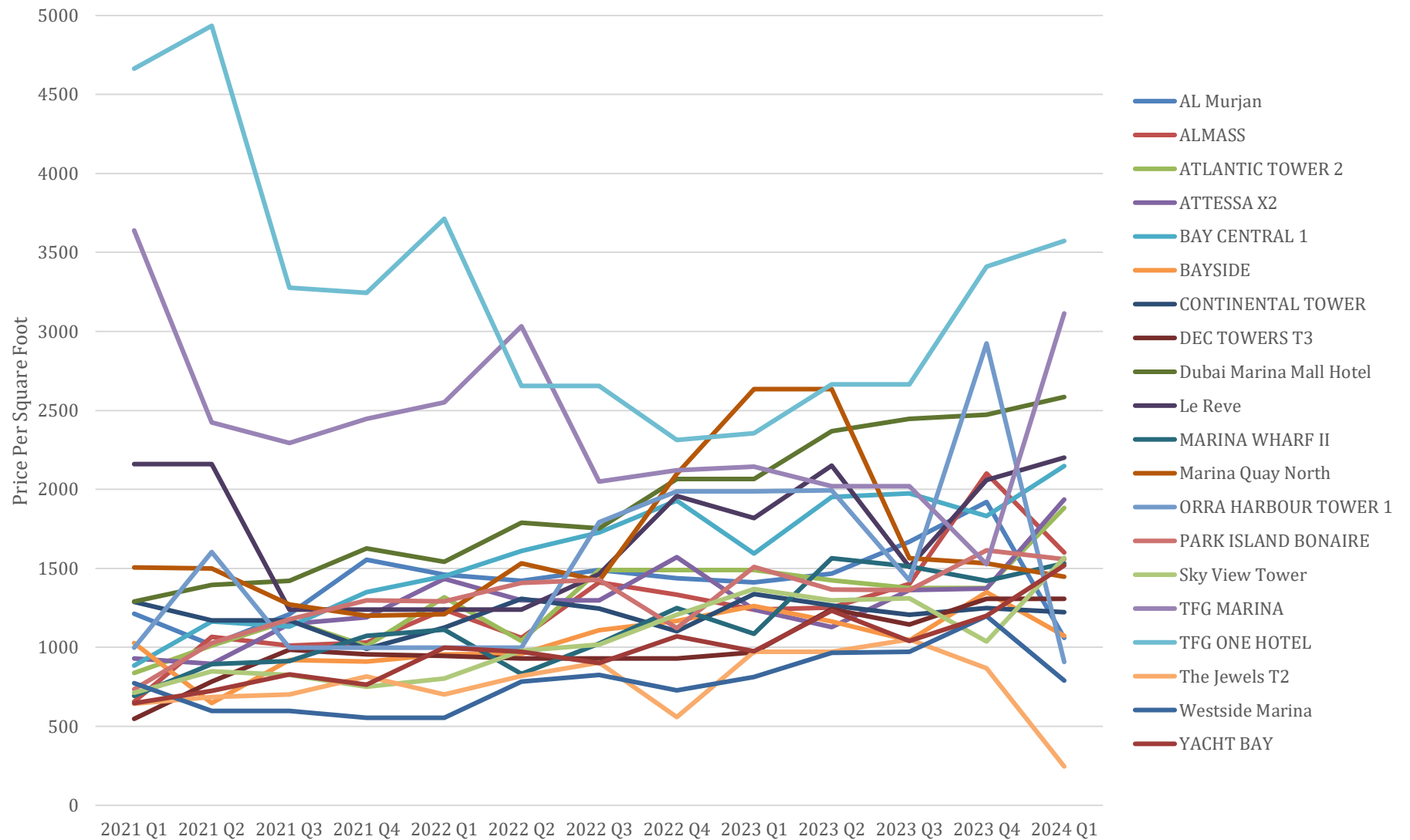
THE IMPACT OF SHORT-TERM RENTALS ON BUILDING PERFORMANCE

Our analysis of tenant reviews has revealed that a high concentration of short-term rentals within a building can negatively impact its overall performance and capital appreciation. In the case of Continental Tower, one tenant reported that 75% of the building was being used for short-term rentals, leading to increased noise levels, reduced security, and a diminished sense of community.

This finding highlights the importance of maintaining a balanced mix of long-term and short-term rentals within a building. Developers and property managers should consider implementing a cap or limit on the percentage of apartments that can be rented out for short-term purposes. By doing so, they can ensure a more stable and desirable living environment for long-term residents, ultimately contributing to the building's overall value and capital appreciation.

We recommend that developers limit short-term rentals to a maximum of 25-30% of the total units within a building. This approach allows for a healthy balance between the flexibility of short-term rentals and the stability and comfort of long-term residents. By implementing such policies, developers can foster a more attractive and valuable property that appeals to a wider range of potential buyers and investors.

ADVICE FOR INVESTORS

When considering a property purchase in Dubai Marina, investors should prioritize the following:

1. ## PRICE PER SQUARE FOOT:

   Look for apartments with a price per square foot below the area average. These properties offer the potential for higher appreciation as they catch up to the market value.

2. ## BUILDING AGE AND QUALITY:

   Newer buildings usually offer the best upto date amenites, the best up to date fire code requirments and newly furnished amenities which helps appreciate the apartment quicker.

3. ## VIEWS:

   Choose apartments and buildings that have prime marina or sea views those will definitely appreciate better in the future.

4. ## PROXIMITY TO A METRO STATION:

   Consider properties located near metro stations, as they have shown a positive impact on appreciation rates due to the convenience and accessibility they offer.

5. ## AMENITIES:

   Prioritize developments with a wide range of lifestyle amenities that cater to the needs and preferences of modern buyers and tenants.

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6. SHORT-TERM RENTAL CONCENTRATION:

When evaluating potential investments, consider the concentration of short-term rentals within a building. A high proportion of short-term rentals may negatively impact the living experience and, consequently, the building's overall performance and capital appreciation. Opt for buildings with a balanced mix of long-term and short-term rentals, ideally with short-term rentals limited to 25-30% of the total units.

CONCLUSION & RECOMMENDATIONS

The Dubai Marina real estate market presents a wealth of opportunities for astute investors who are willing to conduct thorough research and make well-informed decisions. By focusing on properties with a price per square foot below the area average and considering crucial factors such as building age, location, views, amenities, apartment type, proximity to metro stations, and the concentration of short-term rentals, investors can significantly outperform the market and achieve returns up to 40% higher than the average.

The data suggests a potential recovery period for hotel apartments in Dubai Marina. Investors focused on long-term appreciation may find opportunities as this sector rebounds. The data also suggests that studios might outperform in the near future.

With our comprehensive market insights, data-driven strategies, and personalized guidance, investors can confidently navigate the Dubai Marina real estate landscape and capitalize on the immense potential it offers. Whether you are a seasoned investor or just starting your real estate journey, our team at AI Real Estate Consultancy is committed to helping you make informed decisions and maximizing your returns in this exciting and rewarding market.

Whether you're a seasoned investor or just starting your real estate journey, this report is an essential guide to unlocking the secrets of Dubai Marina's real estate market and achieving unparalleled success in your investments. Discover how AI Real Estate Consultancy can help you stay ahead of the curve and capitalize on the immense potential that Dubai Real Estate has to offer.

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Appendix:

Sample Transaction Data:

Sale Type	Date	Building name	Area	Area	Price	Price per meter
Sell	17/01/2024	DORRA BAY	Dubai Marina	138.33	2100000	15181
Sell	17/01/2024	TRIDENT GRAND RESIDENCE	Dubai Marina	164.88	2530361	15346
Sell	17/01/2024	CONTINENTAL TOWER	Dubai Marina	114.07	1950000	17094
Sell	17/01/2024	Torch Tower	Dubai Marina	116.91	1500000	12830
Mortgage Registration	17/01/2024	CONTINENTAL TOWER	Dubai Marina	114.07	1320000	11571
Sell	16/01/2024	DEC TOWERS T2	Dubai Marina	76.5	870000	11372
Grant	16/01/2024	CAYAN TOWER	Dubai Marina	141.33	2617335	18519
Sell	16/01/2024	MARINA MANSIONS	Dubai Marina	265.43	2900000	10925
Sell	16/01/2024	Studio One	Dubai Marina	33.16	850000	25633
Sell	16/01/2024	Silverene Towers B	Dubai Marina	99.14	2250000	22695
Mortgage Registration	16/01/2024	Studio One	Dubai Marina	33.16	722500	21788
Mortgage Registration	16/01/2024	TIME PLACE TOWER	Dubai Marina	64.28	461000	7171
Mortgage Registration	16/01/2024	BOTANICA TOWER-1	Dubai Marina	75.2	1320938	17565
Sell	16/01/2024	BOTANICA TOWER-1	Dubai Marina	77.13	1500000	19447
Sell	16/01/2024	Stella Maris	Dubai Marina	128.49	3250000	25293
Grant	16/01/2024	ROYAL OCEANIC-1	Dubai Marina	116.38	1747607	15016
Sell	16/01/2024	BOTANICA TOWER-1	Dubai Marina	75.2	1550000	20611
Mortgage Registration	16/01/2024	BOTANICA TOWER-1	Dubai Marina	77.13	750000	9723

Methodology:

Data Preparation: The analyst began by loading transaction data for apartment buildings in Dubai Marina, excluding transactions beyond Q1 2024 to meet the specified endpoint. Prices per square meter were converted to prices per square foot for consistency with the requested unit of measure.

Quarterly Average Price Calculation: Using transaction dates, the quarters and years of each transaction were derived, and the data was grouped by building and quarter. Average price per square foot was then calculated for each group.

Identifying Start and End Points for Each Building: The analysis period spanned from Q1 2021 to Q1 2024. Buildings without Q1 2024 data used Q4 2023 prices as endpoints, and the start point for each building was the earliest quarter within the defined period that had data.

Percentage Change Calculation: For each building, the percentage change in average price per square foot from the first available quarter to the end quarter (either Q1 2024 or Q4 2023) was calculated.

Ranking and Selection: Buildings were ranked based on the percentage change in price. The top 10 buildings with the highest positive percentage change were selected as the top performers, while the bottom 10 buildings, including those with the most significant negative percentage change, were identified as the bottom performers.

Assumptions and Considerations: All transaction types (e.g., mortgaged, delayed sell, lease to own) were treated equally as sales data. Buildings with no transaction data before Q4 2023 were excluded from percentage change calculations due to insufficient data for a meaningful comparison.